PRODUCING COPPER FOR ALL OF OUR STAKEHOLDERS

CENTRAL ASIA METALS PLC

Annual Report and Accounts 2016

CENTRAL ASIA METALS PLC ("CAML") IS A LOW COST COPPER PRODUCER FROM ITS KOUNRAD OPERATION IN KAZAKHSTAN

With our highly experienced team and a focus on delivering consistent returns to shareholders, we are working towards developing a metals portfolio by identifying growth opportunities in Central Asia and beyond. We have a dividend policy based on distributing a minimum of 20% of gross revenues from Kounrad.

> I am pleased to report not only record annual copper production and sales but also a record annual dividend for 2016.

Nick Clarke
Executive Chairman

ONLINE
WWW.CENTRALASIAMETALS.COM

OPERATIONAL HIGHLIGHTS

- Record copper production of 14,020 tonnes, an increase of 16% vs. 2015 (12,071 tonnes)
- Record copper sales of 13,938 tonnes, an increase of 16% vs. 2015 (12,040 tonnes)
- 1.45 million lost time injury ("LTI") free man hours operated at Kounrad
- Kounrad Stage 2 Expansion materially complete
- Copper Bay Definitive Feasibility Study ("DFS") completed on schedule and on budget
- Framework agreement signed to acquire Shuak copper–gold exploration property in Kazakhstan

FINANCIAL HIGHLIGHTS

Dividends

15.5p*

Significant returns to shareholders

2016	15.5p*
2015	12.5p
2014	12.5p

*includes 2016 proposed final dividend

EBITDA

$39.1m*

12% higher than 2015, driven by increased sales volumes and lower operating costs

2016	$39.1m
2015	$34.9m
2014	$47.3m

*see note 5 to the financial statements for definition of EBITDA

C1 cash cost

$0.43/lb*

28% lower than 2015, driven by tight cost control and local currency devaluation

2016	$0.43/lb
2015	$0.60/lb
2014	$0.62/lb

*see page 21 for definition of C1 cash cost

CONTENTS

SUSTAINABLE OPERATION, CONTINUING RETURNS

Our Kounrad operation in Kazakhstan is a highly cash generative business that has given us the ability to return capital to our shareholders and undertake business development activities. Our efforts in this regard resulted in us signing an agreement to acquire the Shuak exploration property in November 2016, and we are pleased to increase our operational footprint in Kazakhstan.

OUR OPERATIONS

PRODUCTION

Kounrad, Kazakhstan

CAML owns 100% of the Kounrad solvent extraction electro-winning ("SX-EW") production plant in Kazakhstan. This facility has been producing copper for almost five years and recovers the metal from dumps that originated from a Soviet-era open pit copper mine, and is located near to the city of Balkhash in central Kazakhstan.

- 255,000 tonnes of recoverable copper resources (Wardell Armstrong 2013 estimate)
- 54,322 tonnes of copper cathode produced since operations commenced to 31 December 2016
- Life of mine extended beyond 2030 following material completion of Stage 2 Expansion

See page 14 for more information

PROJECTS

Shuak, Kazakhstan

In November 2016, CAML signed a framework agreement to acquire an effective 80% interest in the subsoil use contract ("SUC") for the Shuak copper exploration property in the Akmola Oblast region of northern Kazakhstan. The licence area is 197km^2 and contains target areas that warrant immediate and detailed exploration for copper and gold. In addition, there are widespread copper, gold, silver and molybdenum geochemical anomalies within the licence area.

- Extensive exploration undertaken in Soviet times, including over 45,000 metres of drilling
- Pre-GKZ (State Commission on Mineral Reserves) resource of 49.5 million tonnes at a grade of 0.66% Cu at priority target area, Mongol V
- Total consideration of $2 million to be invested over five years by CAML in exploration activities

327,000t

pre-GKZ contained copper resource

See page 26 for more information

Copper Bay, Chile

Copper Bay Limited is a private company in which CAML has a 75% interest that owns 100% of the project at Chañaral Bay, in the Atacama region of Chile, 1,000km north of Santiago. The project comprises a site of historic tailings disposal on the beach, and Copper Bay Limited effectively holds the exploitation licence for this area.

- DFS completed on schedule and on budget in Q4 2016
- Project NPV$_8$ of $34.1 million and IRR 19% at $3.00/lb copper price
- Copper Bay development on hold pending an internal review of options

125,820t

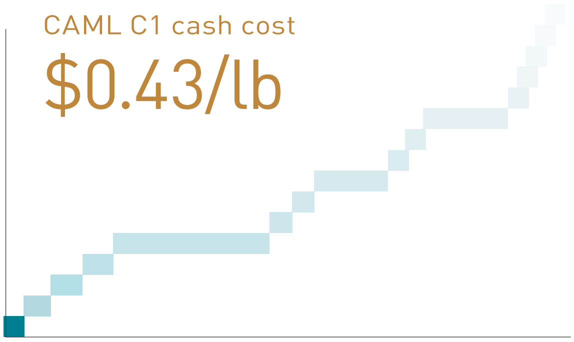
JORC compliant mineral resources

See page 25 for more information

OUR INVESTMENT CASE

LOW COST PRODUCER

At $0.43 per pound, CAML's C1 cash cost of production is firmly in the lowest quartile of the cash cost curve and is one of the lowest in the copper sector.



SUSTAINABLE OPERATION

CAML is proud to produce copper safely, in a manner that is sustainable to the nearby communities and with minimal impact to the environment in which the Company operates.

Irrigating existing dumps	Solvent extraction and electro-winning	High quality copper cathode

1.45 million

LTI free man hours worked at Kounrad

See page 28 for more information

HIGH STANDARDS

CAML is committed to producing LME quality copper that is attractive to the international market. A minimum of 90% of CAML's copper is sold through its off-take arrangement with Traxys.

99.998%

Copper cathode purity

RETURNS

CAML has demonstrated total shareholder returns in under six years of production of 188% taking into consideration the share price appreciation since the Company's IPO in 2010 and dividends paid and proposed.

188%

TSR as of 30 December 2016 share price

HOW WE GENERATE VALUE

Our business model is to create value for our shareholders and stakeholders by producing copper and through the identification of accretive acquisition opportunities.

Our focus since IPO was initially on constructing the SX-EW plant and setting up the leach blocks so that copper could be produced effectively at Kounrad. Having achieved this in 2012, the focus moved to maintaining low cash costs of operation, and to undertaking the required capital programmes to increase copper production.

Kounrad remains our key area of focus and, through this asset, we have been able to create value for shareholders and stakeholders alike by returning $96 million in cash to investors, paying almost $82 million in tax to the Kazakhstan government and supporting local social initiatives at a total cost of approximately $1.2 million.

We have grown our portfolio of projects through Copper Bay and Shuak, and continue to look at additional opportunities to maximise future growth and returns, and to diversify our asset base.

DRAWING ON OUR KEY STRENGTHS

Resources

On our 2013 JORC compliant mineral resource, Kounrad contains over 600,000 tonnes of copper of which approximately 255,000 tonnes are recoverable.

Approximately

255,000t

recoverable mineral resource

Proven process

Leaching

The in-situ leaching of copper from our Eastern Dumps has performed in line with our expectations since 2012. In 2017, we will begin leaching copper from the Western Dumps.

SX-EW

Our SX-EW plant is a relatively simple and reliable operation. We have the capacity to produce 50 tonnes of copper cathode per day.

People, knowledge and experience

Our predominantly Kazakh workforce is highly skilled and experienced and we are fortunate to have very low staff turnover.

In country knowledge

We have now been operating in Kazakhstan for 12 years and have senior Board representation from business leaders in-country. We have recently increased our footprint in Kazakhstan through the agreement to acquire Shuak. We have been able to work in the country effectively, and have good relationships with the British and American Chambers of Commerce and we have been recognised as one of the top tax paying companies in Kazakhstan.

Shuak

$2m

initial commitment on exploration over five years

OPERATING WITH EXCELLENCE

Low cost operation

Our production costs are well within the lowest quartile of the copper production cost curve. Indeed, Kounrad is one of the lowest cost copper producers in the world.

Cash costs

	Cash costs
2016	$0.43/lb
2015	$0.60/lb
2014	$0.62/lb

$0.43/lb

28% lower than 2015, driven by tight cost control and local currency devaluation

See page **21** for more information

Established sales pipeline

We sell the majority of our production through an off-take arrangement that is fixed until end 2018 with Traxys, who purchases our LME quality copper cathode directly from site.

See page **20** for more information

High operating standards

We operate to international high standards. We receive several routine government health and safety and environmental inspections which have never raised any significant issues. 1.45 million LTI free man hours have now been worked at Kounrad, which demonstrates a commitment to maintaining a safe working culture on site.

See page 28 for more information

Extended life of operation

In 2016, we materially completed our Stage 2 Expansion that will enable production to commence from the Western Dumps in 2017 and will extend the life of our operation beyond 2030.

Operational life to

2030+

DELIVERING VALUE FOR ALL OF OUR STAKEHOLDERS

Investors

EBITDA

	EBITDA
2016	$39.1m
2015	$34.9m
2014	$47.3m

$39.1m

Dividend

	Dividend
2016	15.5p*
2015	12.5p
2014	12.5p

15.5p*

*includes 2016 proposed final dividend

Employees

In 2016, we had approximately 300 employees in Kazakhstan, who were given a pay rise of 25% to compensate them for the devaluation in the local currency. Wages paid are in line or higher than the average paid in the area and CAML remains an important employer in the Kounrad and Balkhash area.

c.300

employees in Kazakhstan

Government

Since operations commenced in 2012, we have paid almost $82 million in various taxes to the Kazakhstan government.

$82m

paid in tax

Community

We believe that it is important to support the country in which we operate and have to date funded over $1.2 million in social contributions, such as improvements to the local schools and support for the elderly.

$1.2m

in social contributions

TRACKING OUR ACHIEVEMENTS

Since operations commenced at Kounrad in 2012, we have produced almost 55,000 tonnes of copper cathode, generated revenue in excess of $340 million and distributed dividends* of $96 million to our shareholders.

2010

Initial funds raised at IPO $60m

2011

$39m SX-EW plant at Kounrad under construction

2012

Dividend
10.7p**

Production
6,586t

Copper production commences in Kazakhstan on schedule

2013

Dividend
9.0p

Production
10,509t

$3m investment in Copper Bay, Chile

2014

Dividend
12.5p

Production
11,136t

Increased ownership of Kounrad from 60% to 100%

* distributed dividends includes share buy-backs and proposed 2016 final dividend.
** includes 3.7p special dividend.

2015	2016	2017	THE FUTURE
Dividend 12.5p	Dividend 15.5p	Maintain dividend policy	Continue to distribute industry leading dividends
Production 12,071t	Production 14,020t	Production guidance 13-14,000t	Maintain copper production to beyond 2030
$13m self-financed investment in Kounrad Stage 1 Expansion	Expected $13m self-financed investment in Kounrad Stage 2 Expansion	$1.3m exploration programme to be undertaken at Shuak	$2m Kounrad sustaining capex expected per year

GENERATING CONTINUING RETURNS

2016 has been another positive year for us. Our C1 cash cost remained firmly in the lowest cost quartile of world copper producers, we materially completed our Stage 2 Expansion into the Western Dumps on schedule and expect to complete the project approximately 30% under budget. We concluded the Copper Bay DFS and signed a framework agreement to acquire the Shuak copper-gold exploration project in Kazakhstan.

Key achievements

We have now been producing copper at Kounrad for almost five years and to 31 December 2016 have produced 54,322 tonnes of copper cathode, and paid $96 million in dividends and share buy-backs to our shareholders. We have also self-funded two expansions at Kounrad totalling $26 million, paid almost $82 million in taxes in Kazakhstan and funded many worthy causes in the local community.

During 2016, we made some changes to our Board structure as I made the transition from Chief Executive Officer to Executive Chairman and Nigel Hurst-Brown became Deputy Chairman. We also welcomed Gavin Ferrar to the Board as Business Development Director. I am pleased to report that these changes have been effective and the Company has continued its strong performance throughout 2016. Howard Nicholson stepped down from the Board but remains our Technical Director with responsibility for the day-to-day operations at Kounrad. Howard has been instrumental in the development of Kounrad, having managed the project since before the IPO. The Board owes a debt of gratitude to Howard as we attribute much of the success of this operation to his hard work and diligence.

We are proposing a final dividend for 2016 of 10p per share and, once that total of $13 million has been distributed, we will have paid dividends of $96 million to our shareholders in less than seven years, since listing in late 2010.

Kounrad

During the year, we reported record copper cathode production of 14,020 tonnes (2015: 12,071 tonnes) representing a 16% increase year on year.

Kounrad's position has been maintained firmly in the lowest quartile of the industry cash cost curve. 2016 C1 cash costs were $0.43 per pound (2015: $0.60 per pound) representing a 28% decrease year on year. This is due to several factors, with the most significant being the devaluation of the Kazakhstan Tenge in August 2015. The currency, which is now floating, has retained a similar market value throughout 2016. That, coupled with the fact that we have experienced little in-country inflation on our expenditure at Kounrad, has ensured that our costs remain very low by industry standards.

Corporate social responsibility ("CSR") is very important to us as we believe that the copper we produce is for the benefit of all of our stakeholders. We have now operated approaching 1.45 million man hours without a lost time injury ("LTI"), and we are proud of this as it demonstrates that we have a safe working culture at Kounrad and this is an important philosophy.

Nick Clarke,
Executive Chairman

We have undertaken numerous health and safety inspections during 2016. In addition to these inspections, the site has also been subject to routine state health and safety and environmental inspections and no major issues arose throughout these processes.

In Q4 2016, CAML materially completed its Stage 2 Expansion on schedule which is expected to be approximately 30% below budget. This expansion will enable CAML to commence leaching operations from the Western Dumps in Q2 2017 and, in doing so, has extended the life of the operation to beyond 2030. The Kazakhstan Tenge devaluation again played a significant part in our reduced capital expenditure versus budget, but we also secured some cost improvements based on revised engineering solutions.

Copper Bay

We are pleased that the Copper Bay team has generated value in delivering its DFS that has demonstrated a project worth $34.1 million based on a copper price of $3.00 per pound. Given the current uncertainty with regard to the near and medium term expectations for copper, the CAML Board has recommended that the project remains in our development pipeline whilst we review our options.

Shuak

In November 2016, we signed a framework agreement at the third UK-Kazakhstan Inter-Governmental Commission (IGC) meeting in London to acquire an 80% effective interest in the Shuak copper exploration property in northern Kazakhstan. Shuak has potential to host significant copper oxide mineralisation to which we can apply our SX-EW experience from Kounrad.

Total copper produced

54,322t

since operations commenced in 2012

Total returns to shareholders

$96m

including dividends and share buy-backs

CAML intends to commence field-based exploration work in Q2 2017, predominantly at our priority target areas, Mongol V and Mongol I and II. During the 2017 exploration season, the Company plans to implement a 1,800 metre trenching programme and to undertake some 22,000 metres of drilling. CAML's 2017 exploration budget for Shuak is approximately $1.3 million.

Market performance

2016 was another challenging year for the copper price, and one which saw the price of the metal reaching seven year lows of $4,311 per tonne in January 2016. The price increased during Q4, ending 2016 at a price of about $5,500 per tonne. This movement seemed to signify renewed positive market sentiment in the copper sector, and this outlook has continued into 2017. That said, given our low cash cost of production, we are able to produce profitably and maintain our commitment to paying industry leading dividends even in depressed copper price scenarios.

Outlook

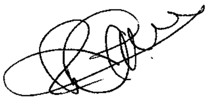
2017 should be a year of development for CAML, as we look forward to establishing our Kounrad copper leaching operations on the Western Dumps. We have set our 2017 copper production target at between 13,000 and 14,000 tonnes.

Over the coming years, the proportion of copper that Kounrad produces from the Eastern Dumps will fall as production from the Western Dumps gradually increases. This will result in slightly higher electricity consumption and additional labour to manage the Western Dumps operations. Importantly, after completing our Stage 2 Expansion capital expenditure programme, CAML is now fully invested at Kounrad, with only annual sustaining capital expenditure at a cost of approximately $2 million expected going forward.

We were pleased to have agreed terms to acquire a majority stake in Shuak and we look forward to starting our exploration programme on site and to appraising the copper oxide resource potential. As mentioned above, our experience at Kounrad will allow us to develop another similar leach and SX-EW operation at Shuak. Longer term, we also plan to explore the primary copper porphyry target at depth. We have built our business around our successful copper production facilities at Kounrad and are very comfortable operating in Kazakhstan. Notwithstanding this, we continue our business development efforts in other jurisdictions.

As a Company operating in Kazakhstan since 2005, we have established a good working relationship with our surrounding communities, and both the local and national governments. We pride ourselves on employing local workers and contribute to our communities by supporting worthy local causes. In doing so, our business has been able to flourish and we were recently ranked first place in Kazakhstan's national business ratings.

We believe that all of our stakeholders should benefit from our success, and this is particularly important when operating in emerging markets. Since we commenced copper production at our Kounrad operation almost five years ago, we have paid tax of almost $82 million in Kazakhstan and have supported many local worthy causes such as improving and modernising nearby schools and aiding the elderly. We look forward to continuing our efforts in this regard into 2017.



Nick Clarke
Executive Chairman

MAINTAINING FOCUS ON OUR KEY STRENGTHS

Our strategy is to produce copper from low cost and cash generative operations throughout the commodity cycle to ensure that we can consistently return cash to shareholders.

STRATEGY AND OBJECTIVES	ACHIEVEMENTS IN 2016	2017 PRIORITIES
Sustainable operation Extracting maximum value from our Kounrad operation – expansion and optimisation	Kounrad Stage 2 Expansion programme materially complete, expected to be 30% under budget. 2016 record copper cathode production of 14,020 tonnes, exceeds 13,000 to 14,000 tonne guidance range.	Commence leaching of the Western Dumps in Q2 2017, followed by a phased increase in production from the Western Dumps as production from the Eastern Dumps reduces. 2017 copper production guidance of between 13,000 and 14,000 tonnes.
Low cost producer Focus on maintaining low production costs	Continued focus on maintaining position firmly in the lowest quartile of the cost curve. - 2016 C1 cash cost of production of $0.43/lb - 2016 fully inclusive unit costs of $1.06/lb	Continued focus on operational and capital cost discipline in current challenging commodity price environment.
High standards Maintain high CSR standards	Western Dumps environmental programme underway, including geophysics to increase understanding of subsurface hydrology and drilling of 46 monitoring boreholes. Continued strong focus on training staff. 99% of workforce recruited locally. $82 million tax paid in Kazakhstan since 2012.	Continue drilling programme of monitoring boreholes. Community focus remains on health, education and charitable organisations based in Kazakhstan.
Returns Increase shareholder value	31% of cumulative gross revenue returned to shareholders to date. Framework agreement signed to acquire Shuak copper-gold exploration project. Copper Bay DFS delivered.	Continue returning cash to shareholders by maintaining industry leading dividend policy. Regular review of business opportunities with a view to maximising future growth and diversifying asset base. Shuak 2017 exploration budget, $1.3 million, to include 22,000 metres drilling and 1,800 meter trenching.

See page 34 for more information

KEY PERFORMANCE INDICATORS

PRINCIPAL RISKS AND UNCERTAINTIES

Tonnes produced
14,020t

2016	14,020
2015	12,071t
2014	11,136t

Plant availability
98.6%

2016	98.6%
2015	99.1%
2014	98.7%

- Operational

C1 cash cost
$0.43/lb

2016	$0.43
2015	$0.60
2014	$0.62

Fully inclusive
$1.06/lb

2016	$1.06
2015	$1.58
2014	$1.65

- Operational
- Financial

Environmental inspections
124 environmental inspections undertaken at Kounrad in 2016 with no major issues raised

124
environmental inspections in 2016

Lost time injuries
1.45 million LTI free man hours worked at Kounrad

1.45m
LTI free man hours

- Safety, social and environmental

Dividends
15.5p*

2016	15.5p
2015	12.5p
2014	12.5p

*includes 2016 proposed final dividend

- Corporate
- Financial

SUPPLYING COPPER INTO AN IMPROVING MARKET

The start of 2016 brought challenges for copper producers as the price of the metal was depressed. Sentiment began to improve in Q4 2016 and this led to the marked increase in prices. CAML's share price performed well during 2016 and Kazakhstan's economy also improved versus previous years as other commodity prices, including the price of oil, began to rise.

Focused on copper

During the first nine months of 2016, the copper price remained weaker than in 2015, trading in the range of between $4,300 and $5,100 per tonne and, while the wider mining market began to improve in early 2016, copper lagged behind other commodities. This meant that for the beginning part of the year, approximately 15-20% of global copper production was uneconomic at a C1 cash cost level, a situation which seemed unsustainable.

The copper price's marked improvement and rapid rise to over $6,000 per tonne coincided with then US President-elect, Donald Trump's, promises to invest in infrastructure. Since then, copper retraced and closed the year at $5,501 per tonne. This overall price improvement was supported by the speculative actions of Chinese investors in Q4 2016.

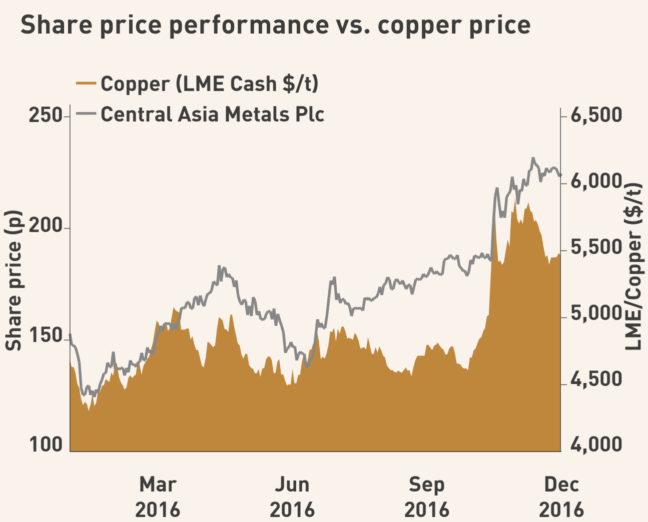
Copper supply-demand fundamentals have also improved due to longer term depletion of operating mine reserves and strong Chinese consumption. According to Metal Bulletin Research, mine supply disruptions in 2016 totalled 542,000 tonnes, equating to 2.7% of world production. The five and ten year average rates of disruption are almost 6% and, in exceptional years, can exceed 7%, meaning the market has absorbed the excess production. The market has also absorbed the additional 2015 and 2016 additional supply from Las Bambas and Cerro Verde.

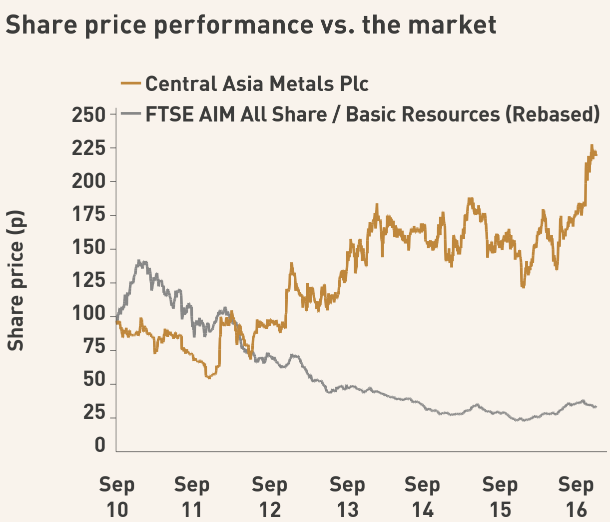
Looking to the long term future, the fundamentals for copper are strong. Overall, mine supply is expected to fall by 0.4% year on year, in contrast to a previous forecast of 1% growth. The main driver of this reduction is the expectation of sustained lower production from Chile, whose 4.6% decline in output in the first 10 months of 2016 was offset by material from the new copper projects in Peru. That said, some analysts are forecasting a small refined copper supply deficit in 2017.

While speculative positioning could have caused the rally in copper prices in Q4 2016, the materially stronger fundamental developments that contributed to this surge in speculative interest are likely to underpin a more bullish environment for copper in 2017.

Strong CAML share price performance

Since the Company's IPO in September 2010, CAML's share price has outperformed the FTSE AIM All Share/ Basic Resources Index, primarily due to CAML's consistent performance, low production costs and high dividend yield. Indeed, while the FTSE AIM All Share/ Basic Resources Index demonstrates a significant loss during the six-year period in which the shares have been publically quoted, CAML can demonstrate a total shareholder return, taking into account share price appreciation and dividends to shareholders, of 188%.





During 2016, the CAML share price closed the year at £2.26, which represents a 48% increase during the year (31 December 2015: £1.53). While this share price appreciation appears to be driven by the improvement in the copper price, the increased share price since copper's previous comparable levels may reflect a de-risking of the Kounrad asset and completion of all major capital expenditure programmes at site in Kazakhstan.

Following the Brexit vote in June 2016, the British Pound has weakened against the US Dollar by approximately 17%, which may also be factored into CAML's share price, as the Group reports in US Dollars but incurs the majority of its head office costs in British Pounds.

The top 10 stock market indices that gave global investors the greatest return in US Dollar terms in 2016 were all emerging markets and, according to data compiled by Bloomberg, Kazakhstan was ranked number two behind Brazil. Taking volatility adjusted returns into account, Kazakhstan's stock market offered the greater returns.

The graph on page 12 shows CAML's share price performance against the FTSE AIM All Share/Basic Resources.

Kazakhstan economy

Over the past two years, Kazakhstan has faced a fall in oil prices, a recession in Russia and a slowdown in Chinese growth. In order to address the worsening economic situation, the government of Kazakhstan has responded with a number of initiatives to try to stimulate the economy.

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

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

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

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

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

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

2016 average LME copper price

$4,863/t

Kazakhstan Tenge to US Dollar average 2016 exchange rate

342KZT/USD

OPERATIONAL REVIEW

SUSTAINABLE KOUNRAD OPERATION

Total capital expenditure of approximately $73 million has been invested on site over the past six years to create one of the world's lowest cost copper producers with an estimated life of operation beyond 2030. As at 31 December 2016, the Kounrad operation has been fully developed with an SX-EW plant capable of delivering annual copper output of approximately 13,000 to 14,000 tonnes and the infrastructure is now in place for leaching to be undertaken across the whole site.

A proven track record of producing copper at Kounrad

Following the successful IPO and $60 million fundraising in September 2010, the Company has been continually developing the Kounrad project to create a facility that is now capable of reliably producing high quality copper cathode to beyond 2030.

Production commenced in April 2012 following construction of the original 10,000 tonnes per annum SX-EW plant on the Eastern side of the project site. This facility was constructed at a cost of $39 million to process leach solutions initially from the Eastern Dumps.

Since that time, the Company has been consistently working on plans to both expand the production output from the SX-EW plant and also to extend the life of the operation by enabling leach solutions from the Western Dumps to be processed by the plant.

Expanding the operation – Stage 1

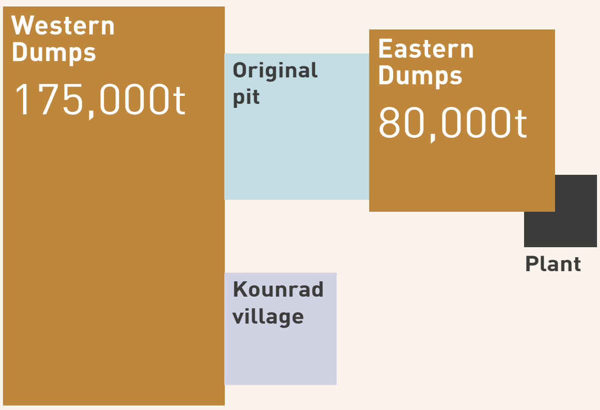
The Stage 1 Expansion to increase the production capacity of the plant required the installation of two additional 2.8MW boilers, an additional sixth mixer settler unit in the SX building and a new EW building containing 24 EW cells. Work commenced on site in July 2014 and was completed, commissioned and operational by May 2015. The total cost of the Stage 1 Expansion was $13.4 million.

Expanding the operation – Stage 2

Planning of the Stage 2 Expansion commenced during 2015 and the project involved the installation of two 12km pipelines for solution transfers between the SX-EW plant in the Eastern area and Western Dump areas. It also involved the installation of an 18km technical water line connection from Lake Balkhash, various pump houses and collection ponds at the Western Dumps, together with boiler houses to heat the solutions during the cold winter months.

RESOURCES MAP

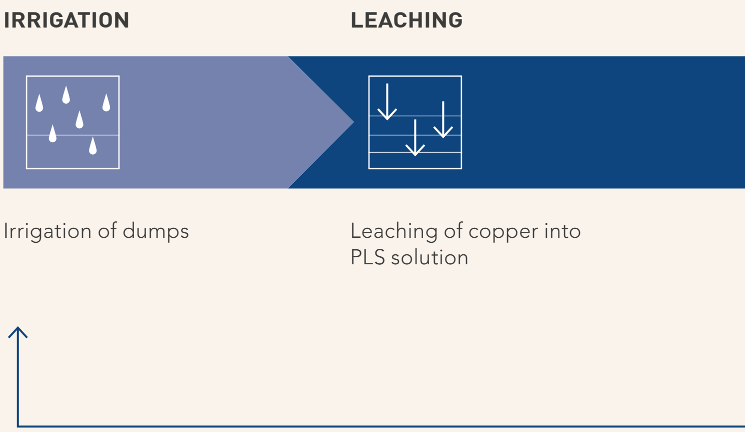
WEST AND EAST DUMPS TOTAL EXPECTED RECOVERY



Source: 2013 Wardell Armstrong JORC compliant Mineral Resource estimate

WHAT WE DO

LEACHING AND SX-EW TECHNOLOGY OVERVIEW



Record annual copper production

14,020t

(2015: 12,071t)

Personnel employed

c.300

at Kounrad site

In early 2016, the 12km 10kV overhead powerline and the main step down transformer were fully installed, thus providing a permanent power source to the construction site. In addition, all major equipment and materials required for the project were delivered to site including three new boilers, steel, electric cable, solution transfer pumps and the majority of the locally procured items. This enabled the construction team to start work in April 2016.

Construction progressed well throughout the year and by the end of October approximately 95% of all planned works had been completed with the main infrastructure in place, including two 12km solution transfer pipes and a total of 2,800m of interceptor trenches.

EXTRACTION

STRIPPING

ELECTRO WINNING

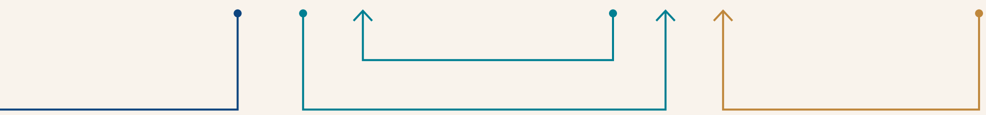
COPPER CATHODE

Extraction of copper from PLS

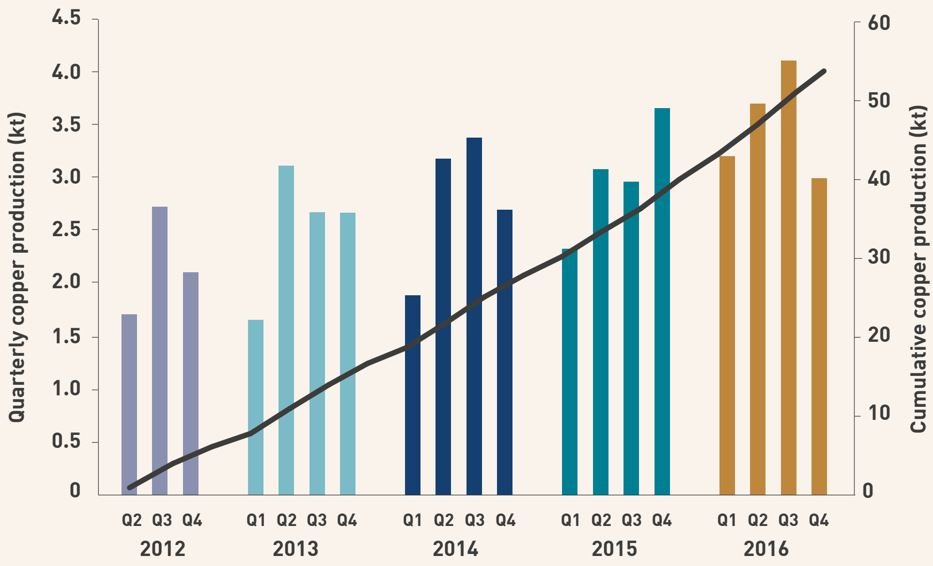
Stripping of copper from organic solution

Electro-winning of copper from electrolyte

Production of copper cathode



Kounrad copper production



Phased commissioning of the system commenced during September 2016. The boiler house was tested and commissioned by the site team and the equipment supplier during October 2016. Pressure testing of the East-West pump system and solution transfer pipes was completed in early October and a rating of 105% of design was achieved.

The circuit was shut down for the winter period and drained in order to prevent the freezing of any static solutions. The circuit will be re-started in April 2017 on a continuous basis. A team of 12 staff have been maintained for Q1 2017 in order to complete any outstanding site works and modifications which may be required during final commissioning.

At the end of 2016, the Stage 2 Expansion was materially complete with only final commissioning works to be performed in Q1 2017. Leaching of the Western Dumps will commence on schedule in Q2 2017. Completion of this work has enabled the Company to access the Western Dumps, which contain significantly larger copper resources than the Eastern Dumps. Leaching of these dumps will extend the life of the Kounrad project beyond 2030. The cost of the Stage 2 Expansion was estimated at $19.5 million, and is expected to be delivered at approximately 30% below that budget.

Lake Balkhash pipeline

In order to enhance the water supply to Kounrad, work commenced in Q2 2015 on the water line connection from Lake Balkhash and was completed in mid-2016. The work consisted of an 18km pipeline and two main pump houses, one on the lake shore and the other at the mid-point between the lake and Kounrad site. Testing of the pumps and pipeline commenced in August 2016 and the designed flow rates of 200m^3 per hour were successfully achieved in September 2016.

The final cost of the pipeline was $1.5 million, $0.3 million below budget, with savings being made on in-country purchases as a result of the local currency devaluation and removal of an unnecessary third pump house from the engineering design given the satisfactory pressures that have been achieved with two.

2016 copper production at Kounrad

During the course of the year, the plant produced record copper output of 14,020 tonnes (2015: 12,071 tonnes) which represents a 16% increase year on year. Indeed, a record month copper production of 1,503 tonnes was achieved in August 2016, highlighting the increased production capacity of the plant following the Stage 1 Expansion.

During 2016, copper was leached solely from the Eastern Dumps. During the course of the year, three of the original dumps in the Eastern area, 6, 7 and 9-10, were almost completely exhausted of recoverable copper.

2016 production started strongly, with record Q1 output of 3,207 tonnes in the typically challenging winter period. This was due to milder weather than the previous year and a period of improved mineralogy experienced from the leaching of dump 5. Consequently, CAML was able to retain a steady leach cycle, maintaining higher than average pregnant leach solution ("PLS") grades.

Throughout the year, the stability of leaching operations continued to be the main focus for site management. The main leaching area on dump 5 performed slightly better than expectations, generating a consistent PLS grade throughout the period. This enabled the team to maintain consistent PLS flow rates and irrigation schedules in the daily range of 22,000m^3 to 24,000m^3. Given the consistent output, the team were able to irrigate certain blocks for longer periods and thereby preserve one of the planned 2016 blocks for the 2017 leaching programme. In addition, a number of previously leached blocks on dump 7 were brought back under irrigation during the summer in order to recover residual amounts of copper.

In 2016, winter arrived early with significantly lower temperatures at site in November when compared to 2015. The 2016-17 winter blocks on dump 5 were prepared in October, and leaching of these areas commenced at the beginning of November 2016 with leaching planned through to March 2017.

Plant maintenance

The SX-EW plant continues to operate efficiently and the overall availability throughout the year was 98.6% (2015: 99.1%), which is testament to the quality of the design and installation. The plant has now operated for almost five years during which time there have been minimal shutdowns for routine or unscheduled maintenance.

In order to maintain cathode quality and efficient electrical conductivity, new anodes were successfully installed in the EW cells as part of an ongoing replacement programme in Q1 2016. This work, together with modifications to the location of the main bus-bars, resulted in improved electrical efficiency.

In line with the anode replacement programme, 800 new stainless steel cathodes were ordered during the year to start the process of phased replacement of the original cathodes that have been in operation since April 2012.

2017 production guidance

The Company is targeting copper cathode production of between 13,000 and 14,000 tonnes during 2017. This guidance is in line with 2016 production, albeit that 2017 leaching will be from both the Eastern and Western Dumps. This guidance takes into account that the leaching characteristics at the Western Dumps will differ from the East based on pre-production test-work. CAML anticipates longer leaching periods together with slightly lower overall recoveries from the Western Dumps.

Copper sales and quality

Throughout the year, the quality of CAML's copper cathode product has once again been maintained at high levels both chemically and visually and there have been no validated quality claims. In addition, throughout the year, a number of modifications have been made that have further enhanced the quality of the cathodes.

CAML continues to sell the majority of its copper production through its off-take arrangements with Traxys. The terms of these arrangements are fixed through to 31 December 2018.

STRATEGY IN ACTION

KOUNRAD STAGE 2 EXPANSION

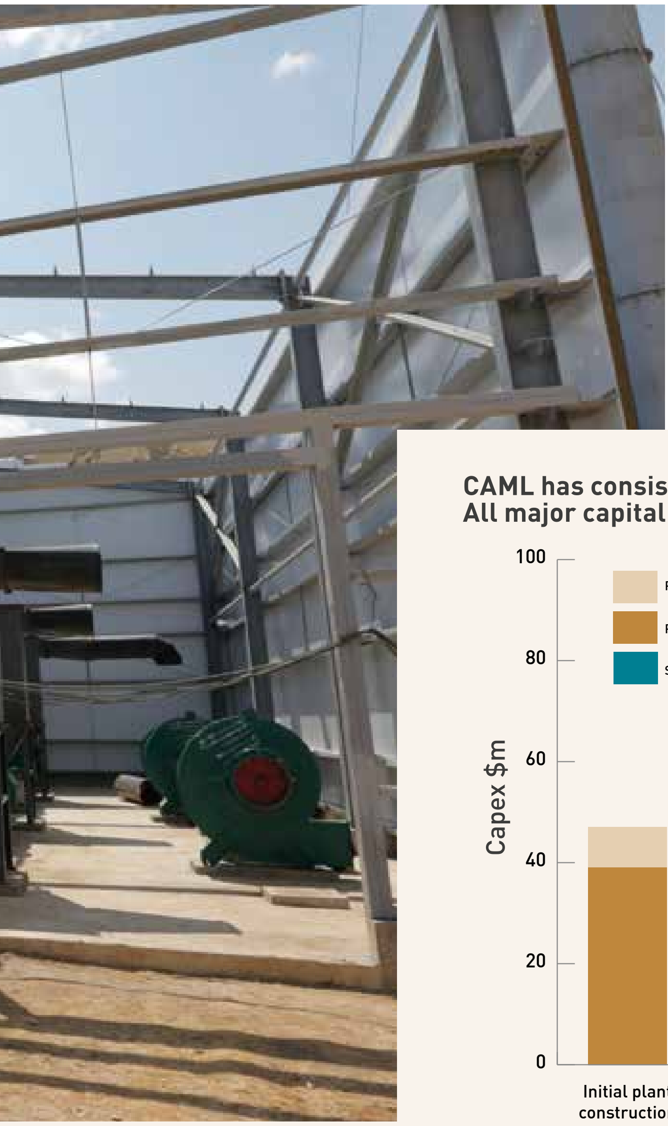
Extending the life of our copper operation

On schedule and below budget

- Kounrad Stage 2 Expansion comprised:
  - Building electricity and pipeline infrastructure to connect Western Dumps to existing SX-EW plant
  - Constructing a pipeline to Lake Balkhash in order to extract water for processing at Kounrad in the future
- Expansion materially complete and on schedule
- Leaching of Western Dumps to commence in Q2 2017
- Contribution of overall copper production from Western Dumps to increase in next 2-3 years as production from Eastern Dumps reduces

Western Dump JORC compliant mineral resource

Western Dumps	
In situ copper resources	**447,000 tonnes**
Expected recovery	**39%**
Total extractable copper	**175,000 tonnes**
Year	**2017-2030+**



Stage 2 Expansion

Budget

$19.5m

Expected

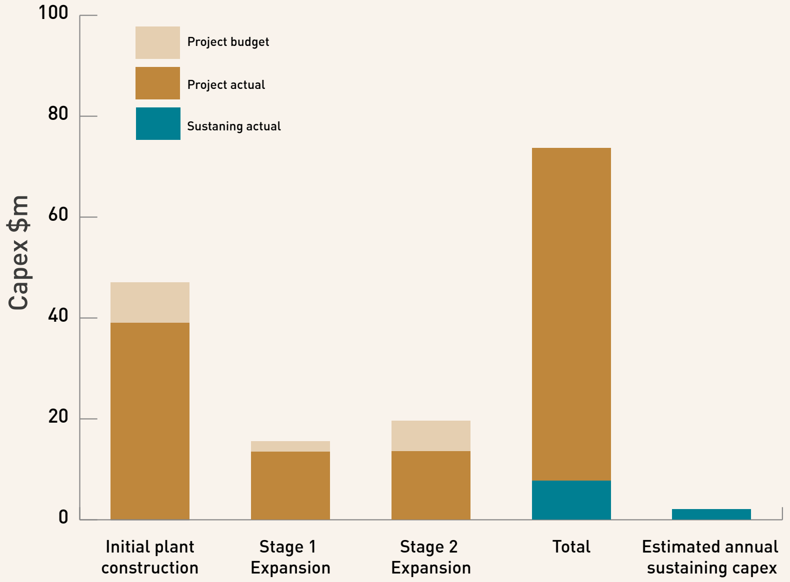
30%

below budget

Copper leaching to commence

Q2 2017

CAML has consistently delivered its capital projects below budget. All major capital at Kounrad now invested.



"We are delighted to have materially completed the Stage 2 Expansion on schedule and below budget, and a big thanks must go to our highly skilled team on-site at Kounrad. This capital programme has now secured our long term copper production to beyond 2030.

Howard Nicholson
Technical Director

GENERATING VALUE FOR OUR SHAREHOLDERS

We have reported a strong set of financial results, with increased revenue and EBITDA compared to 2015. Our 2016 EBITDA margin was 56%. Our Kounrad project continues to produce copper at costs well within the lowest industry quartile.

Overview

Notwithstanding the fall in average copper price relative to last year, CAML continued to be highly profitable due to sustained low costs of production at its Kounrad operation. The combined effects of the local currency devaluation, higher production volumes and continued cost control resulted in a significant reduction in Kounrad's C1 cash cost of production and further cemented Kounrad's position in the lowest quartile of the industry cost curve for copper production.

The Group generated EBITDA of $39.1 million (2015: $34.9 million), representing an EBITDA margin of 56% (2015: 52%) for the year.

Income statement

Group profit after tax from continuing operations increased to $26.2 million (2015: $22.4 million) and earnings per share from continuing operations increased to 23.66 cents (2015: 20.21 cents).

Revenue

A total of 13,751 tonnes (2015: 11,750 tonnes) of copper cathode from Kounrad were sold through the Company's off-take arrangement with Traxys and a further 187 tonnes (2015: 290 tonnes) were sold locally. Total sales at Kounrad were 13,938 tonnes (2015: 12,040 tonnes) representing a 16% increase in volumes.

While copper cathode sales volumes have increased during the year when compared to 2015, Group revenue was adversely impacted by the decline in copper prices. An average selling price of $4,994 per tonne was achieved in 2016 (2015: $5,336 per tonne), representing a 6% decrease in the price of copper. This generated gross revenues for the Group of $69.3 million (2015: $67.3 million).

During the year, following a competitive tender process, Traxys was retained as CAML's off-take partner. The off-take contract has been fixed for a three year period through to 31 December 2018. The contractual commitment is for a minimum of 90% of the Kounrad copper cathode production.

The Group reports both a gross revenue and a net revenue line which reflects the offset of the off-takers fixed fee from the price of the copper achieved. During 2016 the fixed fee was $2.6 million (2015: $2.9 million), a reduction of 10% despite the increased export volumes due to a marked reduction in the cost per tonne of exporting the copper cathode from the site at Kounrad.

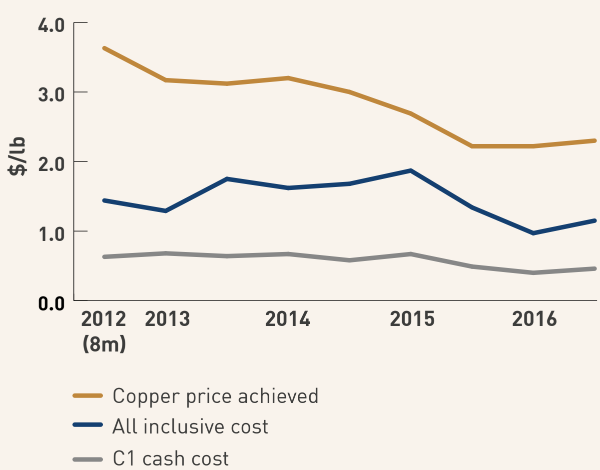
Nigel Robinson
Chief Financial Officer

Cost of sales

Cost of sales for the year was $18.4 million (2015: $25.5 million) representing a decrease of $7.1 million.

$5.3 million of the reduction in cost of sales was due to changes to the depreciation policy. Total depreciation and amortisation charges recognised within cost of sales for the year were $5.0 million (2015: $10.3 million).

CAML costs consistently below copper price



2016 proposed dividend
15.5p
(2015: 12.5 p)

2016 C1 cash cost
$0.43/lb
(2015: $0.60/lb)

2016 fully inclusive cost
$1.06/lb
(2015 $1.58/lb)

Following receipt of the regulatory approvals required for the Kounrad Stage 2 Expansion in November 2015, management has extended the useful economic lives of certain property, plant and equipment. The original estimate of 10 years useful economic life has now been increased through to 2034, which represents the end of the subsoil use licence. This change in estimate was applied from 1 January 2016 and, in combination with the Tenge devaluation, has resulted in a reduction in the depreciation and amortisation charge of $5.3 million for 2016 compared to 2015.

The remaining $1.8 million of the reduction in cost of sales is due to lower on-site costs associated with the production of copper cathode at Kounrad, primarily due to savings associated with the Kazakhstan Tenge currency devaluation which started in August 2015.

The average exchange rate for the year was 342 KZT/USD (2015: 222 KZT/USD), resulting in the Kazakhstan Tenge being worth an average 35% less in US Dollar terms in 2016 compared to 2015. Given that the Group's operations in Kazakhstan generate income in US Dollars through the export of copper cathode, the immediate financial impact was positive for the Company as approximately 60% of the total cost base in Kazakhstan is denominated in Tenge (70% of C1 cash costs) and inflationary pressures on costs incurred at Kounrad have been minimal. From 1 January 2016, the Board increased salaries by 25% for staff at Kounrad to compensate employees for the negative effects of the devaluation.

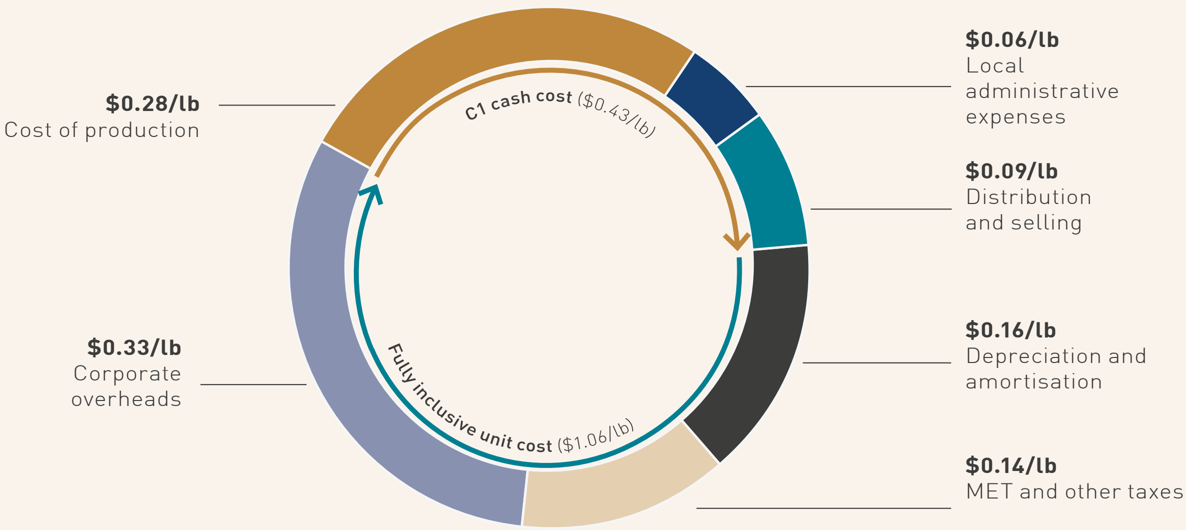
Cost of sales also includes mineral extraction tax ("MET") charged by the Kazakhstan authorities at the rate of 5.7% on the value of the metal recovered during the year. This amounted to a cost of $3.9 million (2015: $3.8 million).

C1 cash cost of production

C1 cash cost of production is a standard metric used in the copper mining industry to allow comparison across the sector. In line with the Wood Mackenzie approach, CAML calculates C1 by including all direct costs of production at Kounrad (reagents, power, production labour and materials) as well as local administrative expenses. Local taxes including MET and depreciation and amortisation charges are excluded from C1 and reported within the fully inclusive unit costs of production.

Kounrad's C1 cash cost of production remains firmly in the lowest quartile of the industry cost curve for copper production at $0.43 per pound (2015: $0.60 per pound). The combined effects of the local currency devaluation, increased production and continued cost control resulted in the significant year on year reduction of 28%.

2016 unit cost of copper production ($/lb)



The Group's fully inclusive unit cost for the year was $1.06 per pound (2015: $1.58 per pound). This includes depreciation and amortisation charges, local taxes including MET and corporate overheads associated with the Kounrad project. The prior year cost includes a non-cash one-off impairment charge of $0.6 million, equating to $0.02 per pound, arising from the write-off of organic inventory. The 33% overall reduction in the fully inclusive unit cost is due to the lower C1 cash cost, lower depreciation and amortisation charges and increased production volumes.

Over the coming years, the proportion of copper that Kounrad produces from the Eastern Dumps will fall as production from the Western Dumps gradually increases. This will result in slightly higher electricity consumption and additional labour to manage the Western Dumps operations.

Administrative expenses

During 2016, administrative expenses were $14.1 million (2015: $14.1 million). The Group recognised a share based payment charge of $3.0 million (2015: $2.4 million) in relation to the Company's Share Option Schemes.

Balance sheet

During the year, there were additions to property, plant and equipment of $12.3 million (2015: $7.8 million). The majority of this expenditure was related to the Stage 2 Expansion. A further $1.6 million was capitalised in relation to exploration and evaluation costs incurred on the Copper Bay project feasibility study.

As explained in the Operational Review on page 14, the Stage 2 Expansion was materially complete by the end of the year and is expected to be approximately 30% below the original $19.5 million budget, due to a combination of cost savings associated with the weaker local currency and engineering efficiencies.

As at 31 December 2016, current trade and other receivables were $0.9 million (31 December 2015: $2.6 million) and non-current trade and other receivables were $2.7 million (31 December 2015: $4.3 million).

In February 2016, the Kazakhstan authorities refunded a portion of outstanding VAT totalling $1.7 million and a further $1.8 million was refunded in August 2016 bringing the total VAT successfully refunded in 2016 to $3.5 million. As at 31 December 2016, a total of $2.8 million (31 December 2015: $4.4 million) of VAT receivable was still owed to the Group. A further amount of $0.2 million was refunded in February 2017 and has been classified as a current receivable as at 31 December 2016.

The Group is working closely with its advisors to recover the remaining portion. The planned means of recovery will be through a combination of the local sales of copper cathode to effectively offset VAT liabilities and by a continued dialogue with the authorities.

As at 31 December 2016, current trade and other payables were $6.0 million (31 December 2016: $6.3 million). During 2016, instalments of $8.7 million were paid towards the 2016 corporate income tax liability in Kazakhstan and at 31 December 2016, approximately $0.9 million remained outstanding.

On 31 December 2016, the Group had cash of $40.4 million (31 December 2015: $42.0 million) including restricted cash of $0.1 million (31 December 2015: $0.5 million) and no debt.

Shuak investment

On 22 November 2016, CAML signed a framework agreement to acquire an 80% effective interest in the subsoil use contract ("SUC") for the Shuak copper-gold exploration property in northern Kazakhstan. As at 31 December 2016, CAML wholly owned Shuak BV which was incorporated on 20 September 2016. Under the terms of the framework agreement, on 22 February 2017, CAML reduced its interest in Shuak BV to 80%, with 20% being held by local partners. Ken Shuak LLP, which was incorporated on 5 October 2016, is a wholly owned subsidiary of Shuak BV. The consideration for this acquisition is an investment in exploration activities of $2.0 million over five years, subject to continued positive results from exploration activities and the general economic outlook for commodity prices.

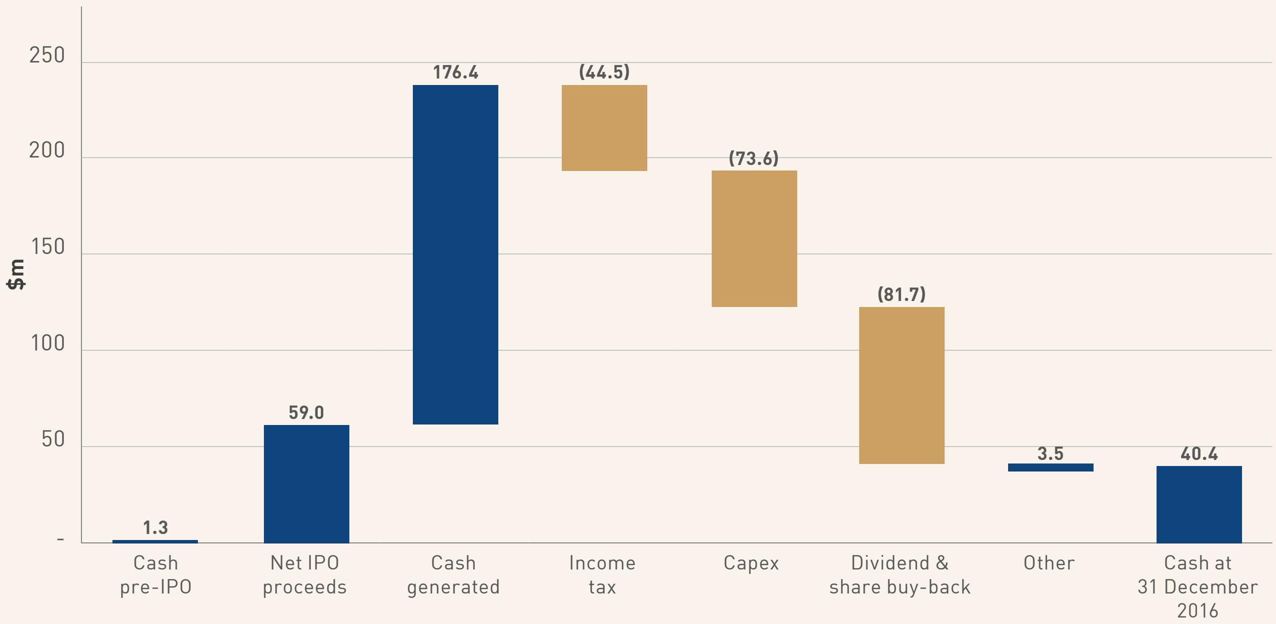
Discontinued operations – Mongolia

In December 2016, CAML Mongolia BV signed an agreement with a third party to sell its entire interest in Monresources LLC for a cash consideration of $100 with deferred consideration dependent on the outcome of future events. Confirmation of the transfer of shares to the third party was received in February 2017.

Following unsuccessful attempts to dispose of the Ereen project, CAML have taken the decision to exit their position in Zuunmod UUL LLC. It is envisaged that this process will be completed in 2017.

The Group continues to hold for sale the assets it owns in Mongolia in this financial period and these assets were fully written off in prior periods.

Cash flow since IPO (2010)



Cash flows

The continued strong operational performance of the Kounrad project and the associated low costs of production resulted in robust cash flows for the Group. Cash generated from operations increased to $44.7 million (2015: $33.6 million) and during the year $20.4 million was returned to shareholders as dividends (2015: $20.4 million) and a further $12.3 million was invested in the Kounrad Stage 2 Expansion project and sustaining capital expenditure.

$9.2 million of Kazakhstan corporate income tax was paid during 2016 (2015: $10.0 million). Payments made during 2016 included $8.7 million towards the 2016 corporate income tax liability and $0.5 million of 2015 corporate income tax paid in April 2016.

Dividend

The Company's dividend policy is to return a minimum of 20% of the gross revenues generated from the Kounrad project to shareholders.

In conjunction with CAML's annual results, the Board proposes a final 2016 dividend of 10 pence per Ordinary Share, bringing total dividends declared for the year to 15.5 pence (2015: 12.5 pence). These dividends equate to approximately 31% of the gross revenue for the year and will be payable on 7 June 2017 to shareholders registered on 12 May 2017.

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 $96 million. The graph above shows the cash flows of the Group since the IPO.

Growth opportunities

As of 31 December 2016, the Group has a robust balance sheet with no debt and $40.4 million in cash. This, combined with the Company's strong financial performance and reducing Kounrad capital commitments, means that CAML is well positioned to maintain its dividend policy, finance the Shuak exploration programme and continue to look for attractive growth opportunities.

Nigel Robinson
Chief Financial Officer

DEVELOPMENT OPPORTUNITIES

2016 was a constructive year for CAML in terms of business development as we successfully completed our Copper Bay feasibility study and agreed to acquire the highly prospective Shuak copper-gold exploration project in Kazakhstan.

Our objective remains to grow through acquisition

During 2016, significant progress was made in our business development activities, primarily the completion of the DFS for the Copper Bay project in Chile and a framework agreement was signed to acquire the Shuak exploration licence in Kazakhstan. These projects represent a pipeline of opportunities for the future of CAML. The team also continued to review other asset acquisition opportunities in Kazakhstan and Latin America and also larger corporate merger and acquisition prospects.

Under the guidance of the Business Development Director and Executive Chairman, the team has assessed over 100 opportunities in the past two years in the continued search for profitable growth. CAML's objective remains to grow through acquisition with the fundamental rationale being shareholder accretion over several financial metrics at a range of copper prices.

Market sentiment has varied greatly throughout the year as the copper price appreciated in Q4 2016 and this has impacted on valuation perceptions. In spite of near to medium term copper price uncertainty, many other market participants are proposing asset valuations that assume copper prices in excess of consensus expectations. Consequently it has been challenging to source accretive transactions of a transformational nature. As and when the outlook for copper prices stabilises, valuation expectations may start to converge.

Business development activities will continue in 2017, with CAML's initial focus on assessing options to add maximum value to the Copper Bay project post the DFS, and working towards estimating a JORC compliant mineral resource at Shuak.

Shuak

CAML was pleased to announce in November 2016 the transaction to aquire an 80% effective interest in the Shuak exploration licence area. The Company initially became aware of this asset in late 2014 and a period of extended due diligence and negotiation allowed CAML to reach agreement with the owners in late 2016. CAML and the new partners at Shuak also had the opportunity to sign the Framework Agreement in the presence of government officials from both the UK and Kazakhstan at the UK-Kazakhstan IGC. We await the final transfer of the Subsoil Use Contract.

Immediate exploration efforts will be focused on the Mongol V and Mongol I and II areas which, based on historical data, previous exploration activities and CAML's due diligence, are considered good targets for oxide copper mineralisation. The aim of the first exploration phase is to identify and map the extent of oxide mineralisation, drill to test the extent of known mineralisation with a view to estimating a compliant copper oxide mineral resource. CAML will also test both key targets for primary sulphide mineralisation at depth.

Shuak represents an attractive exploration opportunity which, if successful, would offer CAML the opportunity to replicate its success at constructing a SX-EW processing plant to exploit oxide ores at the site. CAML's experience at Kounrad in leaching and SX-EW would be valuable should the team identify an economic deposit at Shuak, notwithstanding the fact that copper production at Shuak would require mining, rather than the in-situ leaching that the Company is able to use at Kounrad.

Copper Bay

In Q4 2016, the Copper Bay team completed the project DFS on time and within budget.

DFS component	
Initial capital cost	$88.5 million (excluding contingency)
Mineable resource	34.8 million tonnes at 0.24% Cu containing 84,635 tonnes
Annual rate of production	5 million tonnes
Years of operation	7
Total annual copper production	8,640 tonnes
Annual copper cathode production	7,080 tonnes
Annual copper in concentrate production	1,560 tonnes
Operating cost	$1.37/lb (excluding contingency)
NPV (8%) at $3.00/lb Cu	$34.1 million
IRR	19.1%

Project overview

Following the completion of the pre-feasibility study ("PFS") in 2015, CAML made the decision to undertake a DFS on its 75% owned Copper Bay tailings project in the Atacama Region of northern Chile. Copper Bay Limited effectively holds the exploitation licence comprising 15.25km^2.

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

The DFS proposed utilising a dredging operation to recover the copper tailings, a SX-EW plant to produce copper cathode and a flotation circuit to generate a copper in concentrate product that could be marketed to nearby smelters.

Mineral Resource estimate

As part of the study, Cube Consulting of Australia undertook a Mineral Resource estimate to JORC (2012) standards and demonstrated contained copper of 125,820 tonnes at a 0.1% Cu cut-off grade.

Mineral Resource	Tonnes (kt)	Copper grade (%)	Contained copper (t)
Measured and Indicated	39,042	0.24	92,166
Inferred	14,398	0.23	33,654
Total	**53,440**	**0.24**	**125,820**

In addition, historical work obtained in 2008 estimated a non-compliant resource of about 190,000 tonnes of copper within the surf and bay zones.

The mineable resource comprises 34.8 million tonnes of tailings material at a copper grade of 0.24%, containing 84,635 tonnes of copper. The overall mineable resource includes 7% of material that has been classified as an inferred resource and which forms part of the overall dredging production plan.

The difference between Mineral Resource and mineable resource tonnages arises due to material remaining in-situ during the dredging process to form a berm separating the operation and the sea, and due to removal from the mine plan of a high acid-consuming lower shell-rich horizon.

Operational summary

The study envisages a nine year project, comprising two years of construction followed by seven years of operation, which would process five million tonnes of material annually at a copper grade of 0.24%. Total copper recoveries in the processing plant are expected to be 72%, yielding an annual average of 7,080 tonnes of copper cathode and 1,560 tonnes of copper in a concentrate grading 20%.

Given the current uncertainty with regard to the near and medium term expectations for copper, the CAML Board has recommended that the project remains in the development pipeline while options are reviewed.

STRATEGY IN ACTION

INCREASING OUR FOOTPRINT IN KAZAKHSTAN

CAML was pleased to have agreed to acquire an 80% effective interest in the Shuak exploration licence area in northern Kazakhstan.

- CAML signed a framework agreement to acquire Shuak copper-gold exploration project in November 2016
- Initial commitment of $2 million in exploration over five years
- Licence area 197km^2
- Shuak extensively explored during Soviet times
- Contains three near term targets, with the priority area being Mongol V
- Pre-GKZ (State Commission on Mineral Reserves) resource c.327,000 tonnes of contained copper at 0.66% Cu in C2 and P1 categories (not compliant with current international reporting standards)
- Two mineralisation styles:
  - Near-surface saprolite hosted oxide copper
  - Deeper porphyry copper target
- 2017 exploration budget $1.3 million to include 22,000 metres drilling and 1,800 metre trenching

Shuak potential

$2m
initial commitment over five years

327,000t
contained copper in pre-GKZ resource

"We were delighted to agree terms to acquire a majority stake in Shuak, which we have identified as an attractive opportunity given its location and economic prospects. We believe the project can be rapidly appraised to ascertain its copper oxide resource potential. Given our success to date at Kounrad, our initial target would be to develop another similar SX-EW operation at Shuak. Longer term, we also plan to explore the primary copper porphyry target at depth.

Gavin Ferrar
Business Development Director

MAINTAINING OUR FOCUS ON CSR

We view CSR as of paramount importance to our business and work hard to ensure we maintain high standards in health and safety, our environmental approach and our community work.

CSR overview

CAML has successfully integrated CSR into all of its activities at Kounrad and strives for excellent standards in health and safety, looking after the environment and helping the community. In December 2016, the team was delighted to have worked 1.45 million man hours without recording a lost time injury, and this is an achievement by all employees, both managerial and the wider team.

Whilst the focus of CSR within the CAML Group is predominantly at Kounrad, the team also ensures work undertaken at Copper Bay in Chile is to the highest standards and in 2017 CAML will take its CSR ethos to Shuak as exploration efforts progress there.

Number of water monitoring boreholes

252

2016 social contributions

$0.2m

Total social contributions to date

$1.2m

LTI performance

1.45 million

LTI free hours

Health and safety

Year	Total hours worked	Total LTI	LTI frequency rate
2012	476,591	–	–
2013	396,154	–	–
2014	529,728	1	1.9
2015	587,151	2	3.4
2016	671,349	–	–
Total	**2,660,973**	**3**	**1.1**

CAML employs three full-time safety engineers and, specifically for the Stage 2 Expansion, CAML employed a dedicated safety engineer to oversee the construction programme. Following completion of the Stage 2 Expansion, CAML now has on site three fully staffed medical clinics. In addition Kounrad has its own fire station fully staffed 24 hours a day on site with a dedicated fire engine. In 2016, CAML purchased a new ambulance so that one can be based at the plant and the second on the Western Dumps.

Several external official inspections were undertaken by the local Kazakhstan Health and Safety Inspectorate during the year and inspectors did not identify any significant issues with CAML's health and safety management system. The total number of internal inspections undertaken by CAML's health and safety engineers in 2016 was 98.

One of the more hazardous areas on site from a health and safety perspective is the EW building as a result of the relatively higher concentration of acid vapours in the building. In 2016, further measures were taken to improve ventilation in this area, including the installation of a second extractor fan in order to reduce acid vapours in the building.

As in all previous years, training was a central component of CAML's health and safety management system. Major emphasis throughout the year was on health and safety risk assessments and hazard identification. Risk training of senior management down to supervisor level was undertaken by a health and safety specialist training company. Safety engineers and supervisors subsequently ensured this training was explained to the rest of the workforce. The emphasis was to reduce high risks to a minimum and all extreme health and safety risks were mitigated.

Environment

In Kazakhstan, there are two permanent environmental engineers who are employed to ensure the Company meets all of its environmental obligations both locally within Kazakhstan and also internationally. They are integrated into the site teams and undertake a range of activities, including monitoring and control as well as training and raising awareness of environmental issues for both contractors and employees.

CAML also employs its own hydrogeologists and field team to undertake monitoring, reviewing and analysis of data. CAML has its own purpose built drill rig and team which ensures that all boreholes are drilled and completed to the highest standards. By the end of 2016, a total of 252 monitoring boreholes had been drilled around the Eastern and Western Dumps. This will rise to 318 when drilling around the northern part of the Western Dumps is complete in 2017.

These monitoring holes form the basis of our environmental checks, and the hydrogeological team undertook 4,375 samples from these boreholes during 2016. Of these samples, 847 were sent to accredited laboratories for the Kazakh authorities to check, and the remaining 3,528 samples were analysed in our own internal laboratory on site.

Results for drilling and other field investigations will be used to further refine the existing geological and hydrogeological models. The bulk of the review and analysis of the data will be undertaken by CAML's in-house technical specialists in conjunction with SRK Consulting, which is currently in the process of developing a hydrogeological risk assessment for the longer term leaching plans of the Western Dumps.

A number of environmental initiatives were undertaken during 2016, including:

- Monitoring and control of the Western Dumps construction activities including the construction of the PLS trench and pond systems
- Environmental awareness training undertaken for all employees
- Improvements in recycling including donating ash from the boilers to the local community in order to make bricks for construction
- SRK Consulting completed the review of the hydrogeological risk assessment for the initial leaching area (ILA) over the Western Dumps
- Development of the environmental monitoring network for the area that will be leached in 2017 and ensuring the baseline environmental conditions are clearly established

In addition to CAML's internal work, external official inspections were undertaken by the Department of Environment in Kazakhstan, with no major issues identified.

Social and community

Throughout 2016, CAML was again active in the local communities. CAML's CSR Director ensures regular engagement with stakeholders in Kounrad and Balkhash as well as regionally and nationally. CAML's CSR Committee, consisting of its London based Non-Executive and Executive Directors and Nurlan Zhakupov, meet on a quarterly basis to review and discuss site based CSR activities. This includes reviewing all social donations and development initiatives.

The Committee visited the Kounrad operation in July 2016 to review activities on site and in the community. As part of the tour, a visit was made to the two local schools in Kounrad where the Company has previously donated funds and labour to renovate their sports halls, funded the installation of fully equipped computer classrooms and undertaken various other activities such as the renovation of a kitchen.

The Committee also visited the Kind Heart Centre charity, which is a centre for severely disabled children within the community located in Balkhash.

During 2016, three visits to the Kounrad plant were made by a total of 90 children from the two local schools in Kounrad and the college at Balkhash. The purpose of the visits was to introduce them to CAML's activities on site with particular emphasis on how the Company looks after the environment in which it operates. Other notable visits to site during 2016 included the President of Kazakhstan's Representative as well as the Deputy Akim (mayor) from Karaganda.

CAML is committed to helping social development with an emphasis on health and education, particularly for the most disadvantaged in society in Kounrad and Balkhash.

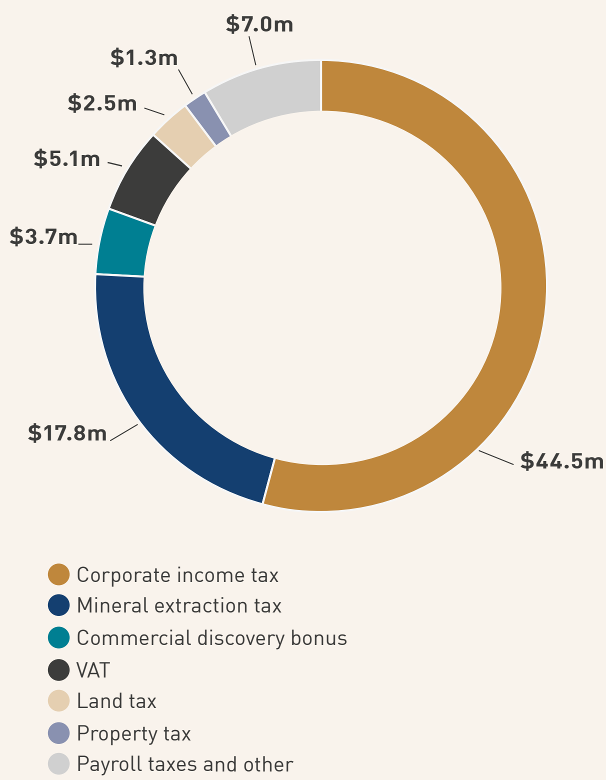
Notable donations in 2016 included the following:

- Sponsorship of Balkhash-based youth sports clubs
- Renovation of the Kounrad school gym
- Purchase of educational aids for both Kounrad schools
- Support to the Kind Heart Centre for severely disabled children
- Support to the Balkhash orphanage
- Financial support to families with children in need of medical treatment
- Support of war veterans and other needy elderly members of the community
- Purchase of school uniforms and equipment for orphaned or families of children in need of support
- Purchase of benches for the school in Balkhash caring for children with disabilities

Taxation

Since production commenced in 2012, CAML has paid almost $82 million in tax to the Kazakhstan authorities.

Almost $82 million in Kazakhstan taxes paid since commencement of operations



LOOKING AFTER OUR ENVIRONMENT

Our CSR team has been busy collecting environmental data in preparation for the commencement of leaching of the Kounrad Western Dumps in 2017.

The area where leaching will commence on the Western Dumps has been defined and, adjacent to this area, detailed geological and hydrogeological site investigations and drilling programmes have been undertaken since 2013. This has enabled us to develop hydrogeological computer models to ensure baseline environmental conditions and potential risks and impacts are understood before leaching commences.

Site investigations undertaken by our in-house technical team in conjunction with both local and leading international consultants, including JH Groundwater and SRK Consulting, include:

- Surface geophysics
- Hydrogeological drilling of 46 boreholes and testing to further define ground water conditions
- Core drilling to determine in more detail the geological strata
- Extensive programme of 76 trial pits excavated
- 60 infiltration and soakaway tests
- Comprehensive soil, groundwater and air monitoring, control and sampling
- Geochemical and geotechnical analysis of core samples to determine properties of the host rock beneath and downgradient of the dumps

The above field investigations have been used to inform and develop a detailed hydrogeological risk assessment of the area in question. Importantly, alongside these investigations, a detailed programme of both internal and external environmental monitoring and control has been developed which will continue throughout and beyond the period of leaching. Central to this programme we will:

- Adhere to the strict monitoring and reporting requirements in Kazakhstan with regular analysis of the atmosphere, soils and groundwater
- Ensure external analysis of groundwater is undertaken by accredited independent laboratories
- Regularly analyse groundwater in the vicinity of the initial area of leaching
- Support SRK Consulting in conducting a detailed hydrogeological risk assessment model for the remainder of the Western Dumps

Internal environmental inspections undertaken at Kounrad during 2016

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"While we are fortunate in the low permeability bedrock that underlays our dumps at Kounrad, we do not take this for granted. Indeed, the CSR team devotes much of its time ensuring that we look after and effectively monitor the environment. To date, we have had a good track record in this regard and are keen for this to continue as production expands into the Western Dumps.

Nick Shirley
CSR Director

IDENTIFYING AND MANAGING RISKS

While the impacts of some of our business risks are significant, we have assessed and mitigated where appropriate these risk areas so that the likelihood of them occurring has been reduced.

NATURE AND IMPACT OF RISK	MOVEMENT IN RISK	HOW WE MANAGE THE RISK
OPERATIONAL		
Leaching operations The nature of in-situ leaching means that there are varying grades and flows of copper bearing solution from the dumps. Should the flow and/or grade drop, this could lead to a reduction in copper cathode produced. During 2017, operations will begin on the Western Dumps where we do not have operational leaching experience. An interruption to the project's water supply could have an adverse impact on leaching operations.		CAML has conducted extensive testing on the grades and expected recovery of the copper bearing solution from the Kounrad dumps. Production to date has correlated reasonably well with the initial testing and management has no reason to believe that this correlation will not continue with future operations. CAML also utilises the services of consultants to regularly review leaching performance and advise on operating strategy. A second water source has been constructed from Lake Balkhash to ensure water availability.
SX-EW operations The SX-EW operations have a number of critical supplies, particularly reagents and electricity, and the loss of any one may have a significant adverse impact on the production of copper cathode.		During 2016, a review was carried out on critical spare parts and changes were implemented where necessary. Generator capability has been installed at Kounrad to ensure that no damage occurs to the SX-EW facility in the event of a power shortage.
Fire The SX operations of the Kounrad facility in particular have a significant risk of fire due to the materials used in the extraction of copper.		A comprehensive fire detection and fighting system has been installed. Business interruption insurance has been taken out to mitigate the majority of loss from a significant fire event. Improvements to fire detection and control have been made at a number of sites across the Kounrad facility.
SAFETY, SOCIAL AND ENVIRONMENTAL		
Health and safety of employees Due to the nature of our operations, an incident involving the health of an employee is always possible and may have a material impact on the operations.		The Company's emphasis on health and safety is prioritised above all other factors of the business. Further details on our proactive health and safety approach are contained on page 29.
Social The Company relies upon its local community for its workforce. If the community is unhappy, it may have an impact on our operations.		The Company places a strong emphasis on engagement with the local community. Further details on our approach are contained on page 30.
Environment – leaching The in-situ leaching operations at Kounrad must be carefully managed to ensure that the environment is not adversely impacted by leaching operations. As the operations move to the Western Dumps in 2017 and the area under leach increases, the corresponding environmental risk is impacted.		The Company places a strong emphasis on protecting the environment. Further details on our approach are contained on page 30.

NATURE AND IMPACT OF RISK	MOVEMENT IN RISK	HOW WE MANAGE THE RISK
CORPORATE		
Political and country CAML's only producing asset is located in Kazakhstan, meaning the Company could be susceptible to any adverse changes in the political or business environment of the country. During 2016, an agreement was signed to acquire another project in Kazakhstan.		The Board is assessing opportunities for expanding the Company's asset base outside of Kazakhstan, which will spread country and political risk. To date, CAML has invested in the Copper Bay project located in Chile and has a dedicated business development team. Kazakhstan has been a stable country since the collapse of the Soviet Union. CAML maintains an extensive network of business contacts in the country and has successfully operated in Kazakhstan for over nine years.
Changes to key personnel The Company has a core of highly experienced and skilled senior management who are responsible for the development and execution of its business strategy. Any changes to the senior management may have a material impact on the success of the business.		The Company sets high standards for the recruitment of its staff both in the UK and in Kazakhstan. CAML remunerates employees accordingly through competitive salaries and performance related awards. The Company also places importance on training the team, so that staff are able to progress through the business. During 2016, succession planning commenced at Board level whilst still retaining the talent we have at present.
FINANCIAL*		
Foreign exchange CAML operates in foreign jurisdictions with associated currency risk.		CAML 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.
Commodity pricing Copper cathode is sold on the basis of LME pricing which fluctuates daily. Being a single commodity company, copper price fluctuation can have a material impact on our business. During 2016, the spot prices for copper significantly reduced when compared to 2015, impacting revenue.		The Company's Treasury policy allows limited hedging up to a maximum of 30% of Kounrad's rolling 12 month production. This policy allows 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. The hedging programme was utilised in 2016. The low cash costs of operations at Kounrad and strong balance sheet provide protection against deteriorating copper prices.
Taxation The taxation system in Kazakhstan is at an early stage of development and the Government is in the process of conducting a review of the existing tax code and tax administration and tax regimes may therefore be subject to change. Tax compliance is subject to review and investigation by the authorities who may impose penalties and interest charges. 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 Group's main receivable is the VAT incurred on purchases within Kazakhstan as explained in note 21 to the financial statements.		The Company 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 in Kazakhstan.

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

The Strategic Report on pages 1 to 35 was approved by the Board of Directors on 4 April 2017 and was signed on its behalf by

Nigel Robinson
Chief Financial Officer
4 April 2017

SETTING HIGH STANDARDS IN CORPORATE GOVERNANCE

Our commitment to achieving high standards in corporate governance is fundamental to the Group's ongoing success. It forms the foundation of continuing to build value for shareholders over the long term.

The past year for CAML and our Board has been one of further development. While we already had a strong Board with active Directors bringing value as well as oversight to our business, we think it important to seek ongoing improvement in our activities as a Board as well as in the Group more generally. In light of this we have commenced the process of succession planning for the future while still retaining the talent we have at present. We view such planning as an essential part of the Board's role.

In this context, we took the opportunity in the past year to make a number of changes to our Board. After nine years as Chairman, I stepped down to the role of Deputy Chairman and Nick Clarke was appointed to the role of Executive Chairman. This ensures both management continuity and non-executive oversight. As part of this evolution of the Board, we welcomed Gavin Ferrar to the Board as Business Development Director. Gavin has been with the Group since 2014 and brings a further 21 years of mining and finance experience to the Board.

At the same time, Howard Nicholson stepped down from the Board. Howard has been instrumental in the success of the Company over the past seven years and we are delighted that he continues with his role as Technical Director within senior management. His focus during 2016 was on the successful delivery of the Kounrad Stage 2 Expansion as well as ensuring the continued strong performance of the Kounrad operations. In addition, the role of Nigel Robinson as CFO has expanded to also oversee operations at a Board level. We see this as an important part of maximising the value the Group receives from Nigel's talents.

These changes form part of our continuing commitment to achieving high standards in corporate governance. We consider such standards to be fundamental to directing our business to ongoing success. This forms the foundation of our aim of continuing to build value for shareholders over the long term.

As an AIM quoted company, we are not obliged to comply with the UK Corporate Governance Code (the "Code"). Nonetheless, we draw on its provisions in guiding and developing our governance structures and comply with a number of its key provisions including:

1. A strong independent representation on the Board with three other independent Non-Executive Directors as well as myself.
2. An Audit Committee led by David Swan of which I am also a member.
3. A Remuneration Committee led by Robert Cathery comprising solely independent Non-Executive Directors.

Nigel Hurst-Brown
Deputy Chairman

Although not a Code requirement, we also have a Corporate Social Responsibility Committee, chaired by Roger Davey, comprising both Executive and Non-Executive Directors, as we see this as another key area of governance.

Each of these committees reports to and provides great value to the Board. The Board itself comprises a diverse group of Directors from the UK and Kazakhstan, most of whom have worked internationally in different parts of the world. This enriches debates within the Board which can often be lively and are always constructive. I believe this provides a good environment for decisions to be taken in the best interests of shareholders.

In the context of the changes outlined above, the Board has considered the independence of each Director, including assessment of their character, judgement and business or other relationships which could materially interfere with the exercise of their judgement. In line with the Code, the independence of each of the Non-Executive Directors who have served on the Board for over nine years was reviewed. The other independent Non-Executive Directors have confirmed that Robert Cathery and myself continue to demonstrate the characteristics of independence, such as challenging management and providing valuable contributions to the Board. As such, the Board continues to consider both Mr Cathery and myself to be independent Directors. With Roger Davey and David Swan, our more recently appointed independent Non-Executive Directors, more than half the Board excluding the Chairman is considered to be independent. The Board believes this to provide a good balance of views as well as skills and a depth of experience within the Board for the future.

Of course, the success of our business depends on our employees. We are fortunate to have great people working throughout the Group managing our operations on a day-to-day basis. As a Board we visited our team and the operations in Kazakhstan during the year. This included tours of both the existing and expansion plants; and the Eastern as well as Western Dumps. We value these visits in addition to the regular reports we receive from our Executive Directors from their more frequent trips. We believe they are seen as valuable by our local team too. We are always impressed by the hard work being carried out there by them and the remarkable commitment to success they clearly share.

On the following pages are further details of our individual Directors and separate reports of our Board, Audit, Remuneration and CSR Committees. I hope that these provide insight both to the governance of the Company and the importance that my Board colleagues and I continue to place on these. These form part of our commitment to shareholders in achieving the ongoing success of the Company and continuing to build value over the long term.

Nigel Hurst-Brown
Deputy Chairman
4 April 2017

BOARD OF DIRECTORS

1. Robert Cathery, Non-Executive Director
Robert became a member of the London Stock Exchange in 1967 and was managing director and Head of Oil and Gas at Canaccord Europe. During his career in the City he was a director of Vickers da Costa and Schroders Securities and Head of Corporate Sales at SG Securities (London) Limited. He is a founder shareholder of the Company.

Committee Membership

Remuneration (Chair)

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

Committee Membership

Remuneration / Audit

3. Nick Clarke, Executive Chairman
Nick has over 40 years of mining experience, including 16 years spent within senior management positions in production and technical services in South Africa, Ghana and Saudi Arabia. Nick served as the managing director of Oriel Resources plc until its acquisition by OAO Mechel for $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. In 2013, Nick was named CEO of the year at the Mining Journal outstanding achievements awards.

Committee Membership

CSR

4. Gavin Ferrar, Business Development Director
Gavin holds post-graduate degrees in geology and finance and has been involved in the mining sector for 21 years. His career in industry began at Anglo American in the New Mining Business Division. He spent 10 years in the investment banking sector focusing on equity and debt financing for mining clients of Barclays Capital and Investec. Since 2011, he has worked with junior mining companies arranging finance and providing corporate advisory services before joining the Company in June 2014 as Business Development Director.

Mining experience

+100 years

5. Nurlan Zhakupov, Non-Executive Director

Nurlan is a Kazakh national. He has extensive experience in capital markets and has held positions at UBS and RBS. He is currently Advisor to the CEO of JSC Kazatomprom and a Non-Executive Director of SPK Astana, a regional development institution. He has previously held a number of positions in the Kazakhstan's resource sector for Tau-Ken Samruk (the national mining company), Chambishi Metals and ENRC. He holds Bachelor and Master's Degrees in Economics from the Moscow State Institute for International Relations (MGIMO). Nurlan joined the Company in October 2011.

Committee Membership

CSR

6. Nigel Robinson, Chief Financial Officer

Nigel is a member of the Institute of Chartered Accountants in England and 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.

7. Roger Davey, Non-Executive Director

Roger, a Chartered Mining Engineer, has over 45 years of experience in the international mining industry. He is also a non-executive director of a number of other companies in the mining sector quoted on AIM, namely Atalaya Mining plc where he serves as Chairman, Orosur Mining Inc and Condor Gold plc. Until 2010, he was Senior Mining Engineer at N M Rothschild in the Mining and Metals Project Finance Team. Previously, he held senior management and director level roles in mining companies in South America and Africa as well as the UK, covering the financing, development and operation of underground and surface mining operations. Roger joined the Company in December 2015.

Committee Membership

CSR (Chair) / Audit

8. David Swan, Non-Executive Director

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

Committee Membership

Audit (Chair) / Remuneration

9. Kenges Rakishev, Non-Executive Director

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

BOARD REPORT

The role of our Board

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

We have a diverse Board, constituted as follows:

- Three Executive Directors: myself, Nigel Robinson and Gavin Ferrar.
- Six Non-Executive Directors:
  - Four are considered fully independent: Nigel Hurst-Brown, Robert Cathery, David Swan and Roger Davey;
  - Two are based in Kazakhstan: Nurlan Zhakupov and Kenges Rakishev. Nurlan Zhakupov has received some share awards from the Company. He is also engaged by the Company to provide additional services where appropriate in Kazakhstan. Although he is therefore not considered fully independent, he is free of other matters which could be expected to affect his independence. Kenges Rakishev is a major shareholder in the Company and brings a depth of experience in the Kazkah business environment. Details of the arrangements to maintain his independence are shown in the relationship agreement section below.

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

We meet as a Board at least four times per year and at other times where required for specific matters. Board and Committee meetings normally take place over the course of a whole day in London and we met in Kazakhstan for one meeting this year. Some of the key matters considered by the Board during the year are shown in the table to the right. The Board receives comprehensive reports in advance of meetings to enable matters to be properly considered and debated on an informed basis during the meetings.

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

All Directors on the Board have access to the Company Secretary who acts as secretary of the Board and its Committees, reporting directly to the Executive Chairman in ensuring appropriate governance procedures are followed. All Directors are also able to seek advice from the Company's external advisors if they wish, although this has not been required in the past year.

Further details of the activities of our Audit, Remuneration and CSR Committees follow in this report.

Relationship agreement

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

Under this Agreement, Kenges Rakishev has given certain undertakings, including, to exercise his voting rights, insofar as he is able, as a shareholder and as a Board member, to: (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.

During the year, our Board:

- Reviewed the Group, its operations and its financial performance at each of its four main Board meetings including:
  - strategic matters and performance;
  - operational performance; and
  - financial performance.
- Continued to review risk management in the Group and how this could be further enhanced at the head office and operational levels in the UK and in Kazakhstan.
- Visited the Group's operation in Kazakhstan – reviewing the operation and meeting local employees.
- Approved the annual budget for the year, regularly monitoring performance against this and reviewing variances and the reasons for these.
- Reviewed and considered strategy and Business Development opportunities.
- Reviewed and approved the Company's annual and half year accounts for the year including:
  - Reports from the Audit Committee;
  - Annual Report;
  - Results announcement; and
  - Dividends.
- Reviewed CSR matters with the assistance of the CSR Committee including reports on health and safety and environmental matters at each main Board meeting.
- Reviewed and approved changes to the Board composition including:
  - Nick Clarke becoming Executive Chairman;
  - Nigel Hurst-Brown becoming Deputy Chairman after nine years in the role as Chairman;
  - Howard Nicholson stepping down from the Board; and
  - The appointment of Gavin Ferrar as an additional Director.
- Reviewed Committee memberships in the context of the Board changes during the year.
- Proposed the reappointment of Directors at last year's AGM.
- Monitored performance of actions agreed at previous meetings.

Nick Clarke
Executive Chairman
4 April 2017

AUDIT COMMITTEE

The role of our Audit Committee

As the Audit Committee we assist the Board in its oversight of the Company's financial reporting, internal control and risk management. Our Committee is made up of Nigel Hurst-Brown our Deputy Chairman, Roger Davey and myself as Committee Chairman.

Our primary responsibilities as a Committee are:

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

We consider these roles to be of fundamental importance to the long term sustainability of the Group, achievement of its ongoing success and continuing to build value for our shareholders over the long term.

Further details of our activities during the year are included in the table to the right.

System of internal control

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

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

Risk management

Whilst the Board of Directors has ultimate responsibility for risk management, Group staff have a role to play in the implementation of policies and procedures aligned to mitigate and manage risk. During 2016, two separate Risk Committees were established out of the original Risk Committee. This change was to ensure that the focus was centred on the main area of risks at Kounrad. The Risk Committees consist of senior staff and are responsible for the development of risk management policies and procedures, the identification, analysis, mitigation and review of the risks of the business. To ensure a consistent approach to risk management, the CFO chairs both Risk Committees and reports to the Audit Committee and Board as appropriate.

The criteria against which a risk is assessed has been established by the Group, so that a standardised assessment can be obtained. Risks are assessed against the likelihood of the risk event occurring and the impact and severity of the risk event. Using this assessment risks are then categorised into a priority level.

During the year, the Audit Committee:

- Reviewed the Group's annual accounts, including:
  - Report from the CFO;
  - Report from the Auditors;
  - Annual Report and Accounts; and
  - Letter of Representation to the Auditors.
- Reviewed the Group's half year results, including:
  - Report from the CFO; and
  - Report from the Auditors.
- Plans for the preparation and audit of the Company's accounts, including:
  - Report from the CFO; and
  - Report from the Auditors.
- Reviewed risk management, including:
  - Report from the Technical Risk Committee and Corporate Risk Committee;
  - Plans for further enhancement of risk management in the Group, particularly increasing the involvement of staff at a local level; and
  - Key risks facing the Group and their management and mitigation.
- Treasury risk management and hedging, including:
  - Review of views from shareholders;
  - Consideration of expert input; and
  - Development and implementation of ongoing policy.
- Review of authority limits and internal procedures.
- Discussed matters with the Auditors in the absence of management.
- Reviewed the functionality and monthly reports from the Group's external whistleblowing hotline.

David Swan
Chairman of the Audit Committee
4 April 2017

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The role of our CSR Committee

Our Board has always considered the Group's corporate and social responsibilities to be at the core of its activities. We view these as key to operating an ethical and sustainable business. It was in this context that our CSR Committee was established in June 2012.

Our Committee comprises independent Non-Executive Directors from both the UK, our Executive Chairman, Nick Clarke and myself as Committee Chairman, and from Kazakhstan, Nurlan Zhakupov. This ensures their full breadth of perspectives are brought to the Committees' important and varied activities.

Given the importance which the Board places in this area, the Committee meets on a regular basis throughout the year, usually on the same day as Board meetings. Further details of the Committees' activities in the year are given in the table to the right. A summary of CSR matters in the Group is given in the CSR Report on pages 28 to 33. The Group CSR policy can be found on the Group's website at www.centralasiametals.com.

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

During the year, the CSR Committee:

- Reviewed and considered regular reports on:
  - Health and safety;
  - Environmental matters; and
  - Local community matters.
- Considered particular CSR aspects of the Group's operation as they arose, agreeing appropriate action.
- Continued to review and enhance health and safety with monthly health and safety meetings being held on site.
- Continued to improve risk profile post mitigation actions.
- Reviewed risk management and training, including the positive involvement of local teams.
- Reviewed the circumstance of the minor health and safety incidents that had occurred during the year.

Roger Davey
Chairman of the Corporate Social Responsibility Committee
4 April 2017

REMUNERATION COMMITTEE

The role of our Remuneration Committee

The Remuneration Committee determines the remuneration of our Executive Directors, oversees the remuneration of our senior management and approves awards under the Company's Long-Term Incentive Plan ("LTIP"). Our Committee is made up solely of independent Non-Executive Directors David Swan, Nigel Hurst-Brown, our Deputy Chairman and myself as Committee Chairman.

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. In doing so, it has due regard to the interests of shareholders.

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

The Company's policy is to remunerate senior executives fairly so as to encourage recruitment, retention and motivation. The 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. We believe this is the key to the Company achieving its strategic aims and building shareholder value over the long term.

We consider proposals from management in the development of which Nick Clarke as Executive Chairman of the Board and I are consulted before they are brought to the Remuneration Committee as a whole.

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.

The last full review of Executive and Non-Executive Director remuneration took place with effect from 1 January 2017.

Long-term incentive plan

Under the Company's share option schemes, nominal priced share options were granted to the Executive Directors during the year as shown in the table on page 45. The share options generally vest at the rate of one third each year after the date of grant subject to the achievement of performance conditions to which the awards are subject.

Remuneration of Directors

As part of the overall remuneration review as at 1 January 2017, 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. In both cases these are subject to challenging performance measures. No change is being made to these structures or potential quanta this year. Annual bonus payments in 2016 amounted to 100% of maximum potential for the Executive Directors. Further details of the targets are included in the table to the right.

Executive Director service contracts and salaries

The Executive Directors have service contracts with the Company at the following salaries with effect from 1 January 2017:

Nick Clarke	£400,000
Nigel Robinson	£265,000
Gavin Ferrar	£232,000

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

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.

Non-Executive Director appointment letters and 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	David Swan[2]	£65,000
Robert Cathery[1]	£65,000	Nurlan Zhakupov[4]	£60,000
Roger Davey[3]	£65,000	Kenges Rakishev	£60,000

1 This comprises a base fee of £60,000 and £5,000 Committee Chair fee for the role of Chairman of the Remuneration Committee.
2 This comprises a base fee of £60,000 and £5,000 Committee Chair fee for the role of Chairman of the Audit Committee.
3 This comprises a base fee of £60,000 and £5,000 Committee Chair fee for the role of Chairman of the CSR Committee.
4 In addition to this amount, $75,000 per annum is paid under a consultancy agreement in terms of which Mr Zhakupov provides services over and above his normal duties.

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

During the year, the Remuneration Committee:

- Determined salary levels for the year of Executive Directors.
- Approved salary levels for senior management.
- Approved salary increases for Group staff more generally.
- Reviewed, considered and approved the:
  - Annual bonus plans and targets for the year; and
  - LTIP grants and targets.
- Determined targets including:
  - Copper production;
  - Production costs;
  - Health and safety;
  - Construction timeline; and
  - Construction capital expenditure.
- Received and approved the outcomes against targets resulting in 100% pay-out of annual bonuses for the Executive Directors.

Directors' remuneration

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

	2016 Basic salary/ fees $'000	2016 Annual bonus $'000	2016 Pension $'000	2016 Benefits in kind $'000	**2016 Total $'000**	2015 Total $'000
Executive Directors:						
Nick Clarke	520	520	8	6	**1,054**	1,007
Nigel Robinson	338	338	5	8	**689**	659
Gavin Ferrar (appointed 10 June 2016)	166	149	3	–	**318**	N/A
Howard Nicholson (resigned 10 June 2016)	149	169	2	1	**321**	654
Non-Executive Directors:						
Nigel Hurst-Brown	135	–	–	–	**135**	153
Robert Cathery	88	–	–	–	**88**	99
Nurlan Zhakupov	81	–	–	–	**81**	92
Kenges Rakishev	81	–	–	–	**81**	92
David Swan	88	–	–	–	**88**	99
Roger Davey	88	–	–	–	**88**	7
Directors' aggregate emoluments	1,734	1,176	18	15	**2,943**	2,862

The aggregate emoluments of the highest paid Director totalled $1,054,000 (2015: $1,006,801). 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 2016 Number	As at 31 Dec 2015 Number
Nick Clarke	**1,342,887**	1,342,887
Howard Nicholson (resigned 10 June 2016)	**N/A**	446,715
Nigel Robinson	**646,715**	646,715
Total Directors' interests	**1,989,602**	2,436,317

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 2016 the Company awarded the following New Scheme options to the Directors of the Company.

	2016 Number	2015 Number
Nick Clarke	**227,312**	212,121
Nigel Robinson	**147,605**	137,741
Gavin Ferrar (appointed 10 June 2016)	**–**	N/A
Howard Nicholson (resigned 10 June 2016)	**147,605**	137,741
Total	**522,522**	487,603

During 2016 the Directors exercised the following New Scheme options.

	2016 Number	2015 Number
Nick Clarke	**261,840**	–
Nigel Robinson	**206,808**	144,736
Gavin Ferrar (appointed 10 June 2016)	**–**	N/A
Howard Nicholson (resigned 10 June 2016)	**248,960**	–
Total	**717,608**	144,736

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 (see note 26 to the financial statements).

Robert Cathery
Chairman of the Remuneration Committee
4 April 2017

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2016.

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; and
- 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 35 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.

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 gross 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 Group's cash reserves providing a dividend cover of three times or greater.

The final 2015 dividend of 8 pence per Ordinary Share of $0.01 each ("Share") was paid on 15 June 2016 and a 2016 interim dividend of 5.5 pence per Share was paid on 28 October 2016.

The Directors recommend a final dividend for the year ended 31 December 2016 of 10p per Share payable, subject to the approval of shareholders on 7 June 2017 to those shareholders, on the Company's register on 12 May 2017. This will take the total dividend for 2016 to 15.5 pence per Share.

Directors and Directors' interests

The Directors of the Company who were in office during the year and up to the date of signing the financial statements and their interest in the issued Share capital of the Company during the year were as follows:

Director	Shares held as at 31 Dec 2016	Shares held as at 31 Dec 2015
Nick Clarke (Executive Chairman)[1]	1,342,887	1,342,887
Nigel Hurst-Brown (Deputy Chairman)	909,065	694,065
Nigel Robinson (Chief Financial Officer)[1]	646,715	646,715
Gavin Ferrar (appointed 10 June 2016)	–	N/A
Robert Cathery[2]	2,105,254	2,105,254
Roger Davey	–	–
Kenges Rakishev	21,211,751	21,211,751
David Swan	3,000	3,000
Nurlan Zhakupov	–	–
Howard Nicholson (resigned 10 June 2016)[1]	N/A	446,715
Total Directors' interests	**26,218,672**	26,450,387

1 These Shares are held jointly with the Company's EBT under a joint Share ownership plan in terms of which the Shares have vested.

2 250,000 (2015: 250,000) Shares held by Elizabeth Cathery, the wife of Robert Cathery; 1,355,254 (2015: 1,355,254) Shares held by Robert Cathery; and 500,000 (2015: 500,000) Shares held by Robert and Elizabeth Cathery are included in the above amounts.

There have been no changes in the beneficial interests of the Directors in the issued Share capital of the Company between 31 December 2016 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. This year, Nick Clarke, Nigel Robinson, Nigel Hurst-Brown, Robert Cathery and Kenges Rakishev are required to retire and be reappointed in this manner. Gavin Ferrar was appointed as a Director by the Board since last year's AGM and is accordingly required to retire, and is being proposed for reappointment, at this meeting.

During the year, Directors' and Officers' liability insurance was maintained for Directors and other Officers of the Group.

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% 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	11,332,600	10.16
FIL Limited	9,910,941	8.88
Majedie Asset Management	8,340,108	7.48
Commonwealth American Partners LLP	7,118,243	6.38
BlackRock Investment Management	6,395,100	5.73
D & A Income Ltd	5,472,428	4.91
Miton Group plc	4,854,762	4.35
Central Asia Metals Employee Benefit Trust[1]	4,642,896	4.16

1 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

There were no transactions during the year that increased the share capital of the Company.

As at 31 December 2016 112,069,738 Shares were in issue including Treasury shares of 511,647.

511,647 Shares are currently held in Treasury pending their cancellation or possible use in the Company employee share option schemes.

AGM notice

Resolutions will be proposed at the forthcoming AGM, as set out in the formal Notice of Meeting which accompanies this Annual Report 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 36 to 47. 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
4 April 2017

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
4 April 2017

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 2016 and of the Group's profit and 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 United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited
The financial statements, included within the Annual Report, comprise:
- the Statements of Financial Position as at 31 December 2016;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Consolidated and Company Statement of Changes in Equity for the year then ended;
- 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 Group financial statements is IFRSs as adopted by the European Union, and applicable law. The financial reporting framework that has been applied in the preparation of the company financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice), and applicable law.

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.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group, the Company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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, 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 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Timothy McAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
4 April 2017

- 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.
- 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 2016 $'000	Group 2015 $'000
Continuing operations			
Revenue	5	66,707	64,412
Presented as:			
Gross revenue	5	69,269	67,328
Less: off-take buyers' fees	5	(2,562)	(2,916)
Revenue		66,707	64,412
Cost of sales	6	(18,388)	(25,510)
Gross profit		48,319	38,902
Distribution and selling costs	8	(215)	(264)
Administrative expenses	9	(14,083)	(14,087)
Inventory write-off		–	(600)
Other income		192	66
Foreign exchange (loss)/gain	16	(1,234)	8,992
Operating profit		32,979	33,009
Finance income	13	67	41
Finance costs	13	(158)	(304)
Profit before income tax		32,888	32,746
Income tax	14	(6,661)	(10,365)
Profit for the year from continuing operations		26,227	22,381
Discontinued operations			
Loss for the year from discontinued operations	20	(130)	(163)
Profit for the year		26,097	22,218
Profit attributable to:			
– Non-controlling interests		(173)	(167)
– Owners of the parent		26,270	22,385
		26,097	22,218
Earnings/(loss) per share from continuing and discontinued operations attributable to owners of the parent during the year (expressed in cents per share)		$ cents	$ cents
Basic earnings/(loss) per share			
From continuing operations	15	23.66	20.21
From discontinued operations		(0.12)	(0.15)
From profit for the year		23.54	20.06
Diluted earnings/(loss) per share From continuing operations	15	23.11	19.79
From discontinued operations		(0.12)	(0.15)
From profit for the year		22.99	19.64

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 profit for the parent company for the year was $20,361,000 (loss of 2015: $9,522,000).

The notes on pages 57 to 80 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Note	Group 2016 $'000	Group 2015 $'000
Profit for the year		**26,097**	22,218
Other comprehensive income/(expense):			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences	25	**1,034**	(77,352)
Other comprehensive income/(expense) for the year, net of tax		**1,034**	(77,352)
Total comprehensive income/(expense) for the year		**27,131**	(55,134)
Attributable to:			
– Non-controlling interests		**(173)**	(167)
– Owners of the parent		**27,304**	(54,967)
Total comprehensive income/(expense) for the year		**27,131**	(55,134)
Total comprehensive income/(expense) attributable to equity shareholders arises from:			
– Continuing operations		**27,261**	(54,971)
– Discontinued operations		**(130)**	(163)
		27,131	(55,134)

The notes on pages 57 to 80 are an integral part of these consolidated financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Assets					
Non-current assets					
Property, plant and equipment	17	**50,324**	40,800	**78**	124
Intangible assets	18	**40,759**	40,267	**13**	–
Investments	19	**–**	–	**11,771**	11,713
Other non-current receivables	21	**2,738**	4,250	**–**	–
		93,821	85,317	**11,862**	11,837
Current assets					
Inventories	22	**3,319**	3,031	**–**	–
Trade and other receivables	21	**919**	2,648	**361**	2,251
Restricted cash	23	**118**	494	**–**	400
Cash and cash equivalents	23	**40,258**	41,502	**34,951**	32,062
		44,614	47,675	**35,312**	34,713
Assets of disposal group classified as held for sale	20	**45**	83	**–**	–
		44,659	47,758	**35,312**	34,713
Total assets		**138,480**	133,075	**47,174**	46,550
Equity attributable to owners of the parent					
Ordinary shares	24	**1,121**	1,121	**1,121**	1,121
Treasury shares	24	**(7,780)**	(7,810)	**(7,780)**	(7,810)
Currency translation reserve	25	**(87,435)**	(88,469)	**–**	–
Retained earnings:					
At 1 January		**209,120**	140,484	**50,734**	12,856
Profit/(loss) for the year attributable to the owners		**26,270**	22,385	**20,361**	(9,522)
Other changes in retained earnings		**(19,911)**	46,251	**(19,911)**	47,400
		215,479	209,120	**51,184**	50,734
		121,385	113,962	**44,525**	44,045
Non-controlling interests		**91**	264	**–**	–
Total equity		**121,476**	114,226	**44,525**	44,045
Liabilities					
Non-current liabilities					
Deferred income tax liability	33	**8,541**	10,240	**–**	–
Provisions for other liabilities and charges	28	**2,087**	1,916	**–**	–
		10,628	12,156	**–**	–
Current liabilities					
Trade and other payables	27	**6,020**	6,261	**2,649**	2,505
		6,020	6,261	**2,649**	2,505
Liabilities of disposal group classified as held for sale	20	**356**	432	**–**	–
		6,376	6,693	**2,649**	2,505
Total liabilities		**17,004**	18,849	**2,649**	2,505
Total equity and liabilities		**138,480**	133,075	**47,174**	46,550

The notes on pages 57 to 80 are an integral part of these consolidated financial statements.

The financial statements on pages 51 to 80 were authorised for issue by the Board of Directors on 4 April 2017 and were signed on its behalf by

Nigel Robinson
Chief Financial Officer
Central Asia Metals plc

Registered Number: 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	Currency translation reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance as at 1 January 2015		**1,121**	**67,079**	**(9,644)**	**(11,117)**	**140,484**	**187,923**	**–**	**187,923**
Profit/(loss) for the year		–	–	–	–	22,385	22,385	(167)	22,218
Other comprehensive expense – currency translation differences	25	–	–	–	(77,352)	–	(77,352)	–	(77,352)
Total comprehensive (expense)/income		**–**	**–**	**–**	**(77,352)**	**22,385**	**(54,967)**	**(167)**	**(55,134)**
Transactions with owners									
Capital reduction	24	–	(67,079)	–	–	67,079	–	–	–
Share based payments	9	–	–	–	–	2,396	2,396	–	2,396
Exercise of options	24	–	–	1,663	–	(1,546)	117	–	117
Sale of EBT shares	24	–	–	171	–	(171)	–	–	–
Dividends	31	–	–	–	–	(20,358)	(20,358)	–	(20,358)
Copper Bay Limited acquisition		–	–	–	–	(1,149)	(1,149)	431	(718)
Total transactions with owners, recognised directly in equity		–	(67,079)	1,834	–	46,251	(18,994)	431	(18,563)
Balance as at 31 December 2015		**1,121**	**–**	**(7,810)**	**(88,469)**	**209,120**	**113,962**	**264**	**114,226**
Profit/(loss) for the year		–	–	–	–	26,270	26,270	(173)	26,097
Other comprehensive expense – currency translation differences	25	–	–	–	1,034	–	1,034	–	1,034
Total comprehensive (expense)/income		**–**	**–**	**–**	**1,034**	**26,270**	**27,304**	**(173)**	**27,131**
Transactions with owners									
Share based payments	9	–	–	–	–	2,959	2,959	–	2,959
Sale of EBT shares	24	–	–	30	–	–	30	–	30
Exercise of options		–	–	–	–	(2,466)	(2,466)	–	(2,466)
Dividends	31	–	–	–	–	(20,404)	(20,404)	–	(20,404)
Total transactions with owners, recognised directly in equity		–	–	30	–	(19,911)	(19,881)	–	(19,881)
Balance as at 31 December 2016		**1,121**	**–**	**(7,780)**	**(87,435)**	**215,479**	**121,385**	**91**	**121,476**

The notes on pages 57 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	Retained earnings $'000	Total equity $'000
Balance as at 1 January 2015		**1,121**	**67,079**	**(9,644)**	**12,856**	**71,412**
Loss for the year		–	–	–	(9,522)	(9,522)
Total comprehensive expense		–	–	–	(9,522)	(9,522)
Transactions with owners						
Capital reduction	24	–	(67,079)	–	67,079	–
Share based payments	9	–	–	–	2,396	2,396
Exercise of options	24	–	–	1,663	(1,546)	117
Sale of EBT shares	24	–	–	171	(171)	–
Dividends	31	–	–	–	(20,358)	(20,358)
Total transactions with owners, recognised directly in equity		–	(67,079)	1,834	47,400	(17,845)
Balance as at 31 December 2015		**1,121**	**–**	**(7,810)**	**50,734**	**44,045**
Profit for the year		–	–	–	20,361	20,361
Total comprehensive income		–	–	–	20,361	20,361
Transactions with owners						
Share based payments	9	–	–	–	2,959	2,959
Sale of EBT shares	24	–	–	30	–	30
Exercise of options		–	–	–	(2,466)	(2,466)
Dividends	31	–	–	–	(20,404)	(20,404)
Total transactions with owners, recognised directly in equity		–	–	30	(19,911)	(19,881)
Balance as at 31 December 2016		**1,121**	**–**	**(7,780)**	**51,184**	**44,525**

The notes on pages 57 to 80 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

	Note	Group 2016 $'000	Group 2015 $'000
Cash flows from operating activities			
Cash generated from operations	29	44,746	33,595
Interest paid		(4)	(121)
Corporate income tax paid		(9,208)	(9,999)
Net cash generated from operating activities		35,534	23,475
Cash flows from investing activities			
Purchase of property, plant and equipment	17	(12,331)	(7,804)
Purchase of intangible assets	18	(1,594)	(556)
Proceeds from sale of property, plant and equipment		147	–
Interest received	13	67	41
Investment in Copper Bay Limited, net of cash acquired		–	1,053
Restricted cash decrease/(increase)	23	376	(346)
Net cash used in investing activities		(13,335)	(7,612)
Cash flows from financing activities			
Dividends paid to owners of the parent	31	(20,360)	(20,368)
(Settlement)/receipt on exercise of share options	26	(2,436)	127
Net cash used in financing activity		(22,796)	(20,241)
Effect of foreign exchange losses on cash and cash equivalents		(669)	(257)
Net decrease in cash and cash equivalents		(1,266)	(4,635)
Cash and cash equivalents at the beginning of the year	23	41,524	46,159
Cash and cash equivalents at the end of the year	23	40,258	41,524

Cash and cash equivalents at 31 December 2016 includes cash at bank and on hand included in assets held for sale of nil (31 December 2015: $22,000) (see note 23).

The notes on pages 57 to 80 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 ("UK").

CAML owns 100% of the Kounrad SX-EW copper project in Kazakhstan. The Company also has a 75% equity interest in Copper Bay Limited, which is a private company that has conducted a definitive feasibility study at its copper project in Chañaral Bay, Chile. In November 2016, CAML signed a framework agreement to acquire an effective 80% interest in the Shuak copper exploration property in northern Kazakhstan. During the year, the Group also held for sale two exploration projects in Mongolia and in February 2017 the Group disposed of its interest in one of the projects (see note 19).

CAML is a public limited company, which is listed on the AIM market of the London Stock Exchange 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 2016. The Group financial statements are presented in US Dollars ($) and rounded to the nearest thousand.

The parent company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2016 the Company has undergone transition from reporting under IFRSs adopted by the European Union to FRS 101 as issued by the Financial Reporting Council. The Company notified its shareholders about its intention to adopt FRS 101 at the last Annual General Meeting. The parent company financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. This transition is not considered to have had a material effect on the financial statements. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, fair value measurements, capital management, presentation of a cash flow statement, new standards not yet effective, impairment of assets and related party transactions. Where relevant, equivalent disclosures have been given in the Group financial statements of Central Asia Metals plc.

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.

Going concern

The Group meets its day to day working capital requirements though its profitable operations at Kounrad. The Group has substantial cash balances and is in a net current asset position as at 31 December 2016. 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 off-take arrangement with a minimum of 90% of the SX-EW plant's forecasted output committed as sales for the period up until 31 December 2018.

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 Group has adopted the following standards for the first time for the financial year beginning on or after 1 January 2016:

- Accounting for acquisitions of interests in joint operations – Amendments to IFRS 11;
- Clarification of acceptable methods of depreciation and amortisation – Amendments to IAS 16 and IAS 38;
- Annual improvements to IFRSs 2012 – 2014 cycle; and
- Disclosure initiative – amendments to IAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

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 Group. The items disclosed are those that could have an impact on the Group.

2. Summary of significant accounting policies continued

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. There is now a new "expected credit losses" model that replaces the "incurred loss impairment" model used in IAS 39. For financial liabilities there are no relevant changes to classification and measurement. IFRS 9 also relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different from that currently prepared under IAS 39. Given a relatively simple nature of the Group's financial assets and liabilities, no material impact is expected for the Group.

IFRS 15 'Revenue from Contracts with Customers' deals with revenue recognition and establishes principles for reporting useful information to the users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. All of the revenue generated by the Group is covered by standard written contracts with customers. A thorough review of these contractual arrangements is required to determine whether there will be any changes in the pattern of revenue recognition for the Group. Assessment of the impact of IFRS 15 is ongoing.

IFRS 16 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most "Operating Leases" will be accounted for on the balance sheet for lessees. The standard replaces IAS 17 "Leases", and related interpretations. The Group has several "Operating Leases" in place, which require review under the guidelines of IFRS 16. The implementation of IFRS 16 may result in the recognition of additional "right of use" assets and related finance liabilities, which are currently not recognised in these financial statements. Full quantification of this impact is still underway.

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

Basis of consolidation

The Group financial statements consolidate the financial statements of CAML and the entities it controls drawn up to 31 December 2016.

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker which is considered to be the Board.

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 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 US Dollar presentation currency are translated into the US Dollar 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.

Following receipt of the regulatory approvals required for the Kounrad Stage 2 Expansion in November 2015, management has extended the useful economic lives of certain property, plant and equipment. The original estimate of 10 years useful economic life has now been increased through to 2034 which represents the end of the subsoil user licence. IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors accounts for a change in an assets useful economic life as a change in estimate and therefore the change is calculated prospectively to the depreciation of the asset at the date of change. This change in estimate was applied from 1 January 2016.

Depreciation is provided on all property, plant and equipment on a straight-line basis over its total expected useful life. As at 31 December 2016 the remaining useful lives were as follows:

- Construction in progress – not depreciated
- Plant and equipment – over 5 to 18 years
- Mining assets – over 2 to 18 years
- Motor vehicles – over 5 to 10 years
- Office equipment – over 2 to 10 years

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

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

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

Intangible assets

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

Goodwill

All business combinations in the Group are accounted for under IFRS 3 'Business Combinations' using the acquisition method. Any excess of the consideration transferred 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.

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.

2. Summary of significant accounting policies continued

The carrying amount of goodwill allocated to an entity is taken into account when determining the gain or loss on disposal of the unit.

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.

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

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
- Mining licences and permits – 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 Group recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity.

Revenue associated with the sale of copper cathodes is recognised when all significant risks and rewards of ownership are transferred to the buyer, usually when title has passed to the buyer and the goods have been delivered in accordance with the contractual delivery terms.

The value of consideration is fair value which equates to the contractually agreed price. The off-take agreement provides for the option of provisional pricing i.e. the selling price is subject to final adjustment at the end of the quotation period based on the average price for the month following delivery to the buyer. Such a provisional sale contains an embedded derivative which is not required to be separated from the underlying host contract, being the sale of the commodity. At each reporting date, if any sales are provisionally priced, the provisionally priced copper cathode sales are marked-to-market using forward prices, with adjustments (both gains and losses) being recorded in revenue in the income statement and in trade receivables in the statement of financial position.

The Company may mitigate commodity price risk by fixing the price in advance for its copper cathode sales with the off-take partner. The price fixing arrangements are outside the scope of IAS 39 Financial Instruments: Recognition and Measurement and do not meet the criteria for hedge accounting.

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.

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 based on 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 nor 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.

Share based compensation

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.

2. Summary of significant accounting policies continued

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 indicates 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), liquidity risk, capital risk and credit risk. There risks are mitigated wherever possible by the Group's financial management policies and practices described below.

Foreign currency exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The primary Group currency requirements are US Dollar, British Pound, Kazakhstan Tenge and Chilean Peso. The Mongolian Tugrik and European Euro requirements are immaterial to the Group's operations.

During the prior year, in August 2015, the Tenge devalued by approximately 85%. Given that the Group's operations in Kazakhstan generate their income in US Dollars through the export of copper, the immediate impact from a purely financial standpoint has been positive as approximately 60% of the total cost base in Kazakhstan is denominated in Tenge.

The Group does not keep large amounts of cash in Tenge and as at 31 December 2016, held the US Dollar equivalent of $123,000 (31 December 2015: $111,000).

The Group manages its exposure to foreign currency exchange risk associated with material commercial transactions and working capital requirements by maintaining controlled amounts of cash in the required currencies. The Group does not hedge foreign exchange risk.

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		
	2016	2015	Movement	**2016**	2015	Movement
Kazakhstan Tenge	**342.16**	221.73	54%	**333.29**	339.47	-2%
Chilean Peso	**667.72**	686.05	-3%	**665.31**	708.36	-6%
British Pound	**0.74**	0.65	14%	**0.81**	0.67	21%

Foreign exchange risk does not arise from financial instruments that are non-monetary items or financial instruments denominated in the functional currency. Kazakhstan Tenge denominated monetary items are therefore not reported in the tables below, as the functional currency of the Group's Kazakhstan-based subsidiaries is the Tenge.

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

	Group **2016**			
In $'000 equivalent	**GBP**	**USD**	**EUR**	**AUD**
Trade and other receivables	**–**	**–**	**–**	**–**
Cash and cash equivalents	**4,816**	**4,120**	**98**	**–**
Trade and other payables	**(2,381)**	**–**	**(89)**	**(48)**
Net exposure	**2,435**	**4,120**	**9**	**(48)**

	Group 2015			
In $'000 equivalent	GBP	USD	EUR	AUD
Trade and other receivables	356	–	–	–
Cash and cash equivalents	4,130	6,081	19	–
Trade and other payables	(2,143)	(37)	(21)	–
Net exposure	2,343	6,044	(2)	–

Trade and other receivables excludes prepayments and VAT receivable. Trade and other payables excludes corporation tax, social security and other taxes as they are not considered financial instruments.

At 31 December 2016, if the foreign currencies had weakened/strengthened by 10% against the US Dollar, post-tax Group profit for the year would have been $145,000 lower/higher (2015: $7,471 higher/lower).

Commodity price risk

The Group is exposed to commodity price risk as the Group's 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.

The Group's Treasury policy allows limited hedging up to a maximum of 30% of the Group's rolling 12-month production by fixing the price in advance for its copper cathode sales. This policy allows 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.

During the year ended 31 December 2016, the Group fixed the price of 9,750 tonnes of copper cathode with the Group's off-take partner (2015: nil).

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 for the year and other equity where the price increases.

	Estimated effect on earnings and equity	
	2016 $'000	2015 $'000
10% increase in copper price	**6,927**	6,733
10% decrease in copper price	**(6,927)**	(6,733)

Liquidity risk

Liquidity risk relates to the ability of the Group to meet future obligations and financial liabilities as and when they fall due. As the Group currently has sufficient cash resources to debt and a material income stream from the Kounrad project, the liquidity risk is considered minimal.

3. Financial risk management continued

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.

The Group has substantial cash balances and is in a net current asset position as at 31 December 2016. The Group will continue to monitor any such risks and take appropriate actions.

Credit risk

Credit risk refers to the risk that the Group's financial assets will be impaired by the default of a third party. The Group is 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 Group sells a minimum of 90% of Kounrad's copper cathode production to a credit-worthy off-taker with payment received on the date of dispatch. As at 31 December 2016 no amounts were due from the off-taker (31 December 2015: nil).

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.

Interest rate risk

The Group has no borrowings as at 31 December 2016 (2015: nil) and is funded 100% by equity. The Group had $8,049,000 of cash balances on short-term deposit as at 31 December 2016 (2015: $8,004,000). The average fixed interest rate on short-term deposits during the year was 0.55% (2015: 0.30%). 87% of the Group's cash and cash equivalents including restricted cash at the year-end were held by an AA- rated bank (2015: 66% by an AA- bank). The rest of Group's cash was held with a mix of institutions with credit ratings between A to B- (2015: A+ to B-). The Group has limited exposure to interest rate risk.

Categories of financial instruments

Financial assets

	Group	
Cash and receivables:	**31 Dec 16 $'000**	31 Dec 15 $'000
Cash and cash equivalents including restricted cash (note 23)	**40,376**	42,018
Trade and other receivables	**24**	43
	40,400	42,061

Trade and other receivables excludes prepayments and VAT receivable as they are not considered financial instruments. All trade and others receivables are receivable within one year for both reporting periods.

Financial liabilities

	Group	
Measure at amortised cost:	**31 Dec 16 $'000**	31 Dec 15 $'000
Trade and other payables	**3,762**	3,907

Trade and other payables excludes corporation tax, social security and other taxes as they are not considered financial instruments. All trade and other payables are payable within one year for both reporting periods.

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:

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 Kounrad resources have been independently verified by Wardell Armstrong International and were classified as JORC Compliant in 2013. As part of the 2016 Copper Bay Definitive Feasibility Study, Cube Consulting Pty Ltd, Australia, undertook a Mineral Resource estimate to JORC (2012) standards.

Impairment of non-current assets

Estimates are required periodically to assess assets for impairment. The critical accounting estimates are future commodity prices, ore reserves, discount rates 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 in May 2014 (the "Kounrad Transaction") 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. The key assumptions used in the Group's impairment assessments are disclosed in note 18.

Functional currency

The functional currency of the Kazakhstan subsidiaries is Kazakhstan Tenge, which is the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and this is re-evaluated for each new entity, or if conditions change.

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 8.07% (2015: 7.22%) 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.

VAT recoverability

The Group's main receivable is the VAT incurred on purchases within Kazakhstan as explained in note 21. As at 31 December 2016 a total of $2,838,000 (2015: $4,423,000) of VAT receivable was still owed to the Group by the Kazakhstan authorities. In 2016, the authorities refunded $3,494,000 and a further amount of $238,000 was refunded from the authorities in February 2017 and has been classified as current trade and other receivables as at 31 December 2016. The Group is working closely with its advisors to recover the remaining portion. The planned means of recovery will be through a combination of the local sales of cathode copper by effectively offsetting VAT liabilities and by a continued dialogue with the authorities.

5. Segmental information

The Board is the Group's chief operating decision maker. Management have 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 project perspective.

The Group has two business segments consisting of an SX-EW copper plant at Kounrad in Kazakhstan and the Copper Bay project in Chile. The Group operations are controlled from a head office in London, UK, but this does not represent a separate business segment. The Shuak exploration project will be reported as a segment in future reporting periods once the exploration programme commences.

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.

The segmental results for the year ended 31 December 2016 are as follows:

	Kounrad $'000	Copper Bay $'000	Unallocated $'000	Total $'000
Gross revenue	69,269	–	–	69,269
Off-take buyers' fees	(2,562)	–	–	(2,562)
Revenue	66,707	–	–	66,707
Kounrad EBITDA	51,321	–	–	51,321
Copper Bay administrative expenses	–	(817)	–	(817)
Unallocated costs including corporate overheads	–	–	(11,400)	(11,400)
Group continuing operations EBITDA	51,321	(817)	(11,400)	39,104
Depreciation and amortisation	(5,028)	–	(55)	(5,083)
Foreign exchange (loss)/gain	(271)	18	(981)	(1,234)
Other income	192	–	–	192
Finance income	8	–	59	67
Finance costs	(158)	–	–	(158)
Profit/(loss) before income tax	46,064	(799)	(12,377)	32,888
Income tax				(6,661)
Profit for the year after tax from continuing operations				26,227
Loss from discontinued operations				(130)
Profit for the year				26,097

The segmental results for the year ended 31 December 2015 are as follows:

	Kounrad $'000	Copper Bay $'000	Unallocated $'000	Total $'000
Gross revenue	67,328	–	–	67,328
Off-take buyers' fees	(2,916)	–	–	(2,916)
Revenue	64,412	–	–	64,412
Kounrad EBITDA	46,068	–	–	46,068
Copper Bay administrative expenses	–	(475)	–	(475)
Unallocated costs including corporate	–	–	(10,656)	(10,656)
Group continuing operations EBITDA	46,068	(475)	(10,656)	34,937
Depreciation and amortisation	(10,339)	–	(47)	(10,386)
Foreign exchange gain/(loss)	8,744	(253)	501	8,992
Other income	66	–	–	66
Inventory write-off	(600)	–	–	(600)
Finance income	23	–	18	41
Finance costs	(304)	–	–	(304)
Profit/(loss) before income tax	43,658	(728)	(10,184)	32,746
Income tax				(10,365)
Profit for the year after tax from continuing operations				22,381
Loss from discontinued operations				(163)
Profit for the year				22,218

The total production at Kounrad for 2016 was 14,020 tonnes (2015: 12,071 tonnes) whilst the total quantity of copper sold was 13,938 tonnes (2015: 12,040 tonnes). The average gross price achieved from the sale of copper was $4,994 per tonne (2015: $5,336 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;
- Exceptional items;
- Finance income and expense;
- Other income;
- Foreign exchange;
- Depreciation and amortisation; and
- Discontinuing operations;

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.

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

	2016 $'000	2015 $'000
Profit for the year	**26,097**	22,218
Plus/(less):		
Income tax expense	**6,661**	10,365
Depreciation and amortisation	**5,083**	10,386
Foreign exchange loss/(gain)	**1,234**	(8,992)
Inventory write-off	**–**	600
Other income	**(192)**	(66)
Finance income	**(67)**	(41)
Finance costs	**158**	304
Loss from discontinued operations	**130**	163
Group continuing operations EBITDA	**39,104**	34,937
Corporate and Copper Bay administrative expenses	**12,217**	11,131
Kounrad EBITDA	**51,321**	46,068

Group segmental assets and liabilities for the year ended 31 December 2016 are as follows:

	Segmental assets		Segmental liabilities	
	31 Dec 16 $'000	31 Dec 15 $'000	31 Dec 16 $'000	31 Dec 15 $'000
Kounrad	**98,275**	94,666	**(13,700)**	(15,536)
Copper Bay	**4,766**	5,369	**(259)**	(330)
Assets held for sale (note 20)	**45**	83	**(356)**	(432)
Unallocated including corporate	**35,394**	32,957	**(2,689)**	(2,551)
	138,480	133,075	**(17,004)**	(18,849)

6. Revenue

Group	2016 $'000	2015 $'000
International customers	**68,442**	65,794
Domestic customers	**827**	1,534
Total gross revenue	**69,269**	67,328
Less: off-take buyers' fees	**(2,562)**	(2,916)
Revenue	**66,707**	64,412

The Group sells and distributes its copper cathode product primarily through an off-take arrangement with Traxys, which has been retained as CAML's off-take partner through to 31 December 2018. The offtake arrangements are for a minimum of 90% of the SX-EW plant's output. 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.

6. Revenue continued

The off-take agreement provides for the option of provisional pricing i.e. the selling price is subject to final adjustment at the end of the quotation period based on the average price for the month following delivery to the buyer. The Company may mitigate commodity price risk by fixing the price in advance for its copper cathode sales with the off-take partner (see note 3).

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.

During 2016, the Group sold 13,751 tonnes (2015: 11,750 tonnes) of copper through the off-take arrangements. Some of the copper cathodes are also sold locally and during 2016, 187 tonnes (2015: 290 tonnes) were sold to local customers.

7. Cost of sales

Group	2016 $'000	2015 $'000
Reagents and materials	5,291	6,229
Depreciation and amortisation (note 17)	4,975	10,264
Mineral extraction tax	3,858	3,834
Employee benefit expense	2,670	3,333
Consulting and other services	1,138	1,037
Taxes and duties	456	813
	18,388	25,510

8. Distribution and selling costs

Group	2016 $'000	2015 $'000
Transportation costs	44	31
Employee benefit expense	61	83
Taxes and duties	20	30
Depreciation and amortisation	16	36
Materials and other expenses	74	84
	215	264

The above distribution and selling costs are those incurred at the Kounrad site in addition to the costs associated with the off-take arrangements. Note 6 refers to the costs associated with the off-take arrangements (off-take buyers' fee).

9. Administrative expenses

Group	2016 $'000	2015 $'000
Employee benefit expense	6,411	6,077
Share based payments	2,959	2,396
Consulting and other services	3,146	3,359
Office-related costs	991	1,170
Taxes and duties	484	999
Depreciation and amortisation	92	86
Total from continuing operations	14,083	14,087
Total from discontinued operations (note 20)	130	163
	14,213	14,250

10. Auditors' remuneration

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

	2016 $'000	2015 $'000
Fees payable to the Company's auditors for the audit of parent company and consolidated financial statements	**131**	130
Fees payable to the Company's auditors and its associates for other services:		
– The audit of Company's subsidiaries	**15**	16
– Tax compliance services	**11**	18
– Other services	**76**	42
	233	206

11. Employee benefit expense

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

Group	2016 $'000	2015 $'000
Wages and salaries	**8,897**	8,758
Social security costs	**1,329**	1,537
Staff healthcare	**95**	214
Other pension costs	**79**	49
Share based payments (note 26)	**2,959**	2,396
Total for continuing operations	**13,359**	12,954
Total for discontinuing operations	**92**	62
	13,451	13,016

The total employee benefit expense includes an amount of $1,258,000 (2015: $1,065,000) which has been capitalised within property, plant and equipment.

Company	2016 $'000	2015 $'000
Wages and salaries	**3,990**	3,635
Social security costs	**856**	772
Staff healthcare	**95**	126
Other pension costs	**29**	–
Share based payments (note 26)	**2,959**	2,396
	7,929	6,929

Key management remuneration is disclosed in note 32.

12. Monthly average number of people employed

Group	2016 Number	2015 Number
Operational	**246**	231
Construction	**60**	46
Management and administrative	**67**	70
	373	347

The monthly average number of staff employed by the Company during the year including Non-Executive and Executive Directors was 16 (2015: 14).

13. Finance income and costs

Group	2016 $'000	2015 $'000
Finance income	67	41
Finance costs	(158)	(304)
Net finance costs	(91)	(263)

The above finance costs include $153,000 (2015: $184,000) related to the unwinding of the discount on the Group's asset retirement obligations associated with the Kounrad project. The unwinding of the discount is calculated on the environmental rehabilitation provision presented in note 28. For cash flow purposes, unwinding of the discount is excluded from the finance expense movement.

14. Income tax

Group	2016 $'000	2015 $'000
Current tax on profits for the year	9,580	10,386
Deferred tax credit (note 33)	(2,919)	(21)
Income tax expense	6,661	10,365

Taxation for each 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	2016 $'000	2015 $'000
Profit before taxation including loss from discontinued operations	32,758	32,583
Tax calculated at domestic tax rates applicable to profits in the respective countries	6,553	7,432
Tax effects of:		
Expenses not deductible for tax purposes	1,758	2,224
Movement on unrecognised deferred tax – tax losses	2,120	1,187
Movement on unrecognised deferred tax – other	(851)	–
Movement on recognised deferred tax (note 33)	(2,919)	–
Utilisation of previously unrecognised tax losses	–	(478)
Income tax expense	6,661	10,365

Corporate income tax is calculated at 20% (2015: 20.25%) of the assessable profit for the year for the UK parent company and 20% for the operating subsidiaries in Kazakhstan (2015: 20%).

Expenses not deductible for tax purposes includes share based payment charges and transfer pricing adjustments in accordance with Kazakhstan tax legislation.

Deferred tax assets have not been recognised on tax losses primarily at the parent company and Copper Bay subsidiaries as it remains uncertain whether these entities will have sufficient taxable profits in the future to utilise these losses.

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).

	2016 $'000	2015 $'000
Profit from continuing operations attributable to owners of the parent	26,400	22,548
Loss from discontinued operations attributable to owners of the parent	(130)	(163)
Profitable attributable to owners of the parent	26,270	22,385
Weighted average number of Ordinary Shares in issue	111,558,091	111,558,091

	2016 $ cents	2015 $ cents
Earnings/(loss) per share from continuing and discontinued operations attributable to owners of the parent during the year (expressed in $ cents per share)		
From continuing operations	23.66	20.21
From discontinued operations	(0.12)	(0.15)
From profit for the year	23.54	20.06

(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.

	2016 $'000	2015 $'000
Profit from continuing operations attributable to owners of the parent	26,400	22,548
Loss from discontinued operations attributable to owners of the parent	(130)	(163)
Profitable attributable to owners of the parent	26,270	22,385
Weighted average number of Ordinary Shares in issue	111,558,091	111,558,091
Adjusted for		
– Share options (note 26)	2,670,098	2,396,361
Weighted average number of Ordinary Shares for diluted earnings per share	114,228,189	113,954,452

Diluted earnings/(loss) per share	2016 $ cents	2015 $ cents
From continuing operations	23.11	19.79
From discontinued operations	(0.12)	(0.15)
From profit for the year	22.99	19.64

16. Foreign exchange loss/(gain)

The Tenge devalued by 85% during 2015 which resulted in the recognition of exchange gains through the prior year income statement for the year ended 31 December 2015 of $8,992,000, arising mostly on US Dollar denominated monetary assets and liabilities held by the Group's Kazakhstan based subsidiaries whose functional currency is the Tenge.

17. Property, plant and equipment

Group	Construction in progress $'000	Plant and equipment $'000	Mining assets $'000	Motor vehicles and office equipment $'000	Total $'000
Cost					
At 1 January 2015	**7,683**	**81,990**	**–**	**1,715**	**91,388**
Additions	6,416	935	–	486	7,837
Disposals	–	(76)	–	(65)	(141)
Change in asset retirement obligation estimate (note 28)	–	207	–	–	207
Transfers	(9,668)	9,658	–	10	–
Acquisition of Copper Bay	–	3	–	–	3
Transfer from intangible assets	–	–	1,601	–	1,601
Exchange differences	(2,428)	(43,309)	–	(845)	(46,582)
At 31 December 2015	**2,003**	**49,408**	**1,601**	**1,301**	**54,313**
Additions	11,572	557	–	202	12,331
Disposals	–	(246)	–	(3)	(249)
Change in estimate – asset retirement obligation (note 28)	–	(22)	–	–	(22)
Transfers	(10,443)	10,427	–	16	–
Exchange differences	67	985	30	26	1,108
At 31 December 2016	**3,199**	**61,109**	**1,631**	**1,542**	**67,481**
Accumulated depreciation					
At 1 January 2015	**–**	**16,000**	**–**	**727**	**16,727**
Provided during the year	–	7,630	–	164	7,794
Disposals	–	(69)	–	(56)	(125)
Transfer from intangible assets	–	–	62	–	62
Exchange differences	–	(10,608)	–	(337)	(10,945)
At 31 December 2015	**–**	**12,953**	**62**	**498**	**13,513**
Provided during the year	–	3,445	38	155	3,638
Disposals	–	(246)	–	(3)	(249)
Exchange differences	–	213	–	42	255
At 31 December 2016	**–**	**16,365**	**100**	**692**	**17,157**
Net book value at 31 December 2015	2,003	36,455	1,539	803	40,800
Net book value at 31 December 2016	**3,199**	**44,744**	**1,531**	**850**	**50,324**

The Company had $78,000 of office equipment at net book value as at 31 December 2016 (2015: $124,465).

Following receipt of the regulatory approvals required for the Kounrad Stage 2 Expansion in November 2015, management has extended the useful economic lives of certain property, plant and equipment and the fair value uplift on the Kounrad Transaction. The original estimate of 10 years useful economic life has now been increased through to 2034 which represents the end of the subsoil user licence. This change in estimate was applied from 1 January 2016 and has resulted in a reduction in the Group's annual depreciation charge.

During 2016, $10,443,000 was transferred from construction in progress to plant and equipment following the material completion of the Kounrad Stage 2 Expansion in late 2016. The amount remaining in construction in progress as at 31 December 2016 relates to equipment for the Stage 2 Expansion including the Lake Balkhash pipeline which will be commissioned in 2017.

The devaluation of the Tenge during 2015 resulted in non-cash foreign exchange losses within property, plant and equipment during the year ended 31 December 2015. This is due to the translation on consolidation of the Group's Kazakhstan-based subsidiaries whose functional currency is the Tenge as well as the goodwill and fair value uplift adjustments to the carrying amounts of assets and liabilities arising on the Kounrad Transaction which are denominated in Tenge.

The reduction in estimate in relation to the asset retirement obligation of $22,000 (2015: increase of $207,000) is due to a combination of adjusting the provision recognised at the net present value of future expected costs using an inflation rate of 6.02% (2015: 5.68%) and discount rate of 8.07% (2015: 7.22%) representing the risk-free rate (pre-tax) for Kazakhstan as well as updating the provision for 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.

18. Intangible assets

Group	Goodwill $'000	Exploration and evaluation costs $'000	Mining licences and permits $'000	Computer software and website $'000	Total $'000
Cost					
At 1 January 2015	**20,291**	**2,805**	**60,399**	**55**	**83,550**
Additions	–	542	–	14	556
Transfers to property, plant and equipment	–	(1,601)	–	–	(1,601)
Acquisition of Copper Bay Limited	–	1,641	(3,222)	–	(1,581)
Exchange differences	(10,185)	(1,348)	(26,546)	(31)	(38,110)
At 31 December 2015	**10,106**	**2,039**	**30,631**	**38**	**42,814**
Additions	–	1,561	14	19	1,594
Exchange differences	187	–	306	1	494
At 31 December 2016	**10,293**	**3,600**	**30,951**	**58**	**44,902**
Accumulated amortisation					
At 1 January 2015	**–**	**64**	**1,850**	**31**	**1,945**
Provided during the year	–	41	2,668	11	2,720
Transfers to property, plant and equipment	–	(62)	–	–	(62)
Exchange differences	–	(43)	(1,994)	(19)	(2,056)
At 31 December 2015	**–**	**–**	**2,524**	**23**	**2,547**
Provided during the year	–	–	1,554	9	1,563
Exchange differences	–	–	30	3	33
At 31 December 2016	**–**	**–**	**4,108**	**35**	**4,143**
Net book value at 31 December 2015	10,106	2,039	28,107	15	40,267
Net book value at 31 December 2016	**10,293**	**3,600**	**26,843**	**23**	**40,759**

The Company had $13,000 of computer software and website at net book value as at 31 December 2016 (2015: nil).

The devaluation of the Tenge during 2015 resulted in non-cash foreign exchange losses within intangible assets for the prior year ended 31 December 2015. This is due to the translation on consolidation of the Group's Kazakhstan-based subsidiaries whose functional currency is the Tenge as well as the goodwill and fair value uplift adjustments to the carrying amounts of assets and liabilities arising on the Kounrad Transaction which are denominated in Tenge.

Impairment assessment

Kounrad project

The Kounrad project located in Kazakhstan 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"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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 key economic assumptions used in the review were a copper price $6,280 per tonne and a discount rate of 8%. Assumptions in relation to operational and capital expenditure are based on the latest budget approved by the Board.

Copper Bay project

The Group has reviewed the indicators for impairment under IFRS 6 Exploration and Evaluation of Mineral Resources and has not identified any indicators of impairment.

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

19. Investments

Shares in Group undertakings:

	Company	
	31 Dec 16 $'000	31 Dec 15 $'000
Beginning of year	11,713	8,663
Addition to investments in CAML Mongolia BV	15	38
Addition to investments in CAML Kazakhstan BV	–	50
Investment in Copper Bay Limited	–	3,000
Investment in Shuak BV	58	–
Impairment of investments in CAML Mongolia BV	(15)	(38)
End of year	11,771	11,713

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

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

Subsidiary	Registered office address	Activity	CAML % 2016	CAML % 2015	Date of incorporation
CAML Kazakhstan BV	Herikerbergweg 238, 1101 CM Amsterdam, The Netherlands	Holding Company	100	100	23 Jun 08
CAML Mongolia BV	Herikerbergweg 238, 1101 CM Amsterdam, The Netherlands	Holding Company	100	100	23 Jun 08
Shuak BV	Herikerbergweg 238, 1101 CM Amsterdam, The Netherlands	Holding Company	100†	–	20 Sep 16
Sary Kazna LLP	Business Centre No. 2, 4 Mira Street, Balkhash, Kazakhstan	Kounrad project (SUC operations)	100	100	6 Feb 06
Kounrad Copper Company LLP	Business Centre No. 2, 4 Mira Street, Balkhash, Kazakhstan	Kounrad project (SX-EW plant)	100	100	29 Apr 08
Ken Shuak LLP	Business Centre No. 2, 4 Mira Street, Balkhash, Kazakhstan	Shuak project (exploration)	100†	–	5 Oct 16
Copper Bay Limited	Masters House, 107 Hammersmith Road, London, W14 0QH, United Kingdom	Holding Company	75*	75*	29 Oct 10
Copper Bay (UK) Limited	Masters House, 107 Hammersmith Road, London, W14 0QH, United Kingdom	Holding Company	75*	75*	9 Nov 11
Copper Bay Chile Limitada	Ebro 2740, Oficina 603, Las Condes, Santiago, Chile	Holding Company	75*	75*	12 Oct 11
Minera Playa Verde Limitada	Ebro 2740, Oficina 603, Las Condes, Santiago, Chile	Exploration – Copper	75*	75*	20 Oct 11
Zuunmod UUL LLC	Bodi Tower, Chinggis Square, 1st Khoroo, District Chingeltei, Ulaanbaatar 15160, Mongolia	Exploration – Gold	85	85	3 May 07
Monresources LLC	Bodi Tower, Chinggis Square, 1st Khoroo, District Chingeltei, Ulaanbaatar 15160, Mongolia	Exploration – Molybdenum	80††	80	18 May 07

* fully diluted basis

† Shuak
On 22 November 2016, CAML signed a framework agreement to acquire an 80% effective interest in the subsoil use contract (SUC) for the Shuak exploration property in northern Kazakhstan. As at 31 December 2016, CAML wholly-owned Shuak BV which was incorporated on 20 September 2016. Under the terms of the framework agreement, on 22 February 2017, CAML reduced its interest in Shuak BV to 80%, with 20% effectively being held by local partners. Ken Shuak LLP, which was incorporated on 5 October 2016, is a wholly owned subsidiary of Shuak BV. The transfer of the SUC is expected to occur during Q2 2017.

††Mongolia
In December 2016, CAML Mongolia BV signed an agreement with a third party to sell its entire interest in Monresources LLC for cash consideration of $100 with deferred consideration dependent on the outcome of future events. Confirmation of the transfer of shares to the third party was received in February 2017.

Following unsuccessful attempts to dispose of the Ereen project, management have taken the decision to exit their position in Zuunmod UUL LLC. It is envisaged that this process will be completed in 2017.

20. Assets held for sale

During 2016, the Group continued to hold for sale the assets it owns in Mongolia. The Group disposed of its interest in Monresources LLC in February 2017 (see note 19). The Mongolian assets are fully written-down.

Assets of disposal group classified as held for sale:

	31 Dec 16 $'000	31 Dec 15 $'000
Cash and cash equivalents	–	22
Property plant and equipment	45	55
Trade and other receivables	–	6
	45	83

Liabilities of disposal group classified as held for sale:

	31 Dec 16 $'000	31 Dec 15 $'000
Provisions	336	419
Trade and other payables	20	13
	356	432

Loss from discontinued operations:

	2016 $'000	2015 $'000
General and administrative expenses	(130)	(163)
Loss from discontinued operations	(130)	(163)

Cash flows of disposal group classified as held for sale:

	2016 $'000	2015 $'000
Operating cash flows	(22)	(7)
Total cash flows	(22)	(7)

21. Trade and other receivables

	Group		Company	
	31 Dec 16 $'000	31 Dec 15 $'000	31 Dec 16 $'000	31 Dec 15 $'000
Current receivables				
Receivables from related parties	–	–	115	1,914
Prepayments	347	836	190	255
VAT receivable	548	1,769	56	82
Other receivable	24	43	–	–
	919	2,648	361	2,251
Non-current receivables				
Prepayments	368	1,493	–	–
VAT receivable	2,370	2,757	–	–
	2,738	4,250	–	–

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 apart from the VAT receivable balance as explained below. 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 becomes known that the amounts due will not be recovered.

As at 31 December 2016, the total Group VAT receivable was $2,918,000 (2015: $4,526,000) which includes an amount of $2,838,000 (2015: $4,423,000) of VAT owed to the Group by the Kazakhstan authorities. In 2016, the authorities refunded $3,494,000 and a further amount of $238,000 was refunded from the authorities in February 2017 and has been classified as current trade and other receivables as at 31 December 2016. The Group is working closely with its advisors to recover the remaining portion. 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 continued dialogue with the authorities.

22. Inventories

Group	31 Dec 16 $'000	31 Dec 15 $'000
Raw materials	2,962	2,713
Finished goods	357	318
	3,319	3,031

The Group did not have any slow-moving, obsolete or defective inventory as at 31 December 2016 (2015: nil).

23. Cash and cash equivalents

	Group		Company	
	31 Dec 16 $'000	31 Dec 15 $'000	31 Dec 16 $'000	31 Dec 15 $'000
Cash at bank and on hand	32,209	33,498	26,902	24,058
Short-term deposits	8,049	8,004	8,049	8,004
	40,258	41,502	34,951	32,062
Cash at bank and on hand included in assets held for sale	–	22	–	–
Total cash and cash equivalent	40,258	41,524	34,951	32,062
Restricted cash	118	494	–	400
Total cash and cash equivalent including restricted cash	40,376	42,018	34,951	32,462

The restricted cash amount of $118,000 is held to cover SUC licence requirements.

24. Share capital and premium

	Number of shares	Ordinary shares $'000	Share premium $'000	Treasury shares $'000
At 1 January 2015	**112,069,738**	**1,121**	**67,079**	**(9,644)**
Exercise of options	–	–	–	1,663
Sales of EBT shares	–	–	–	171
Capital reduction scheme	–	–	(67,079)	–
At 31 December 2015	**112,069,738**	**1,121**	**–**	**(7,810)**
Sale of EBT shares	–	–	–	30
At 31 December 2016	**112,069,738**	**1,121**	**–**	**(7,780)**

The par value of Ordinary Shares is $0.01 per share and all shares are fully paid.

During 2015, the Company completed a court approved capital reduction scheme, which resulted in $67,079,000 being transferred from the share premium account to distributable reserves.

25. Currency translation reserve

Currency translation differences arose primarily on the translation on consolidation of the Group's Kazakhstan-based subsidiaries whose functional currency is the Tenge as well as the goodwill and fair value uplift adjustments to the carrying amounts of assets and liabilities arising on the Kounrad Transaction which are denominated in Tenge. The Tenge was relatively stable during 2016 and resulted in a non-cash currency translation gain of $1,034,000 recognised within equity. The devaluation of the Tenge during 2015, resulted in a non-cash currency translation loss of $77,352,000 recognised within equity in the prior year ended 31 December 2015.

26. 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 2016, all options have fully vested.

New Scheme

The Company introduced the second share option plan 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 2016, 180,000 (2015: 180,000) Old Scheme options and 2,315,320 (2015: 2,380,361) 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 one-third tranches over a 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:

	2016		2015	
	Average exercise price in $ per share option	Options (number)	Average exercise price in $ per share option	Options (number)
At 1 January	0.22	2,560,361	0.30	2,347,927
Granted	0.01	762,522	0.01	825,603
Exercised	0.01	(827,563)	0.17	(613,169)
At 31 December	0.19	2,495,320	0.22	2,560,361

The related weighted average share price at the time of exercise was $2.54 (2015: $2.47) per share. Out of the 2,495,320 outstanding options (2015: 2,560,361), 1,016,084 options (2015: 913,079) were exercisable.

An amount of $2,959,000 (2015: $2,396,000) has been credited to retained earnings and expensed within employee benefits expense from continuing operations for the grant of stock options for the year ended 31 December 2016. Included in this amount is an additional dividend related share option charge of $485,000 (2015: $515,000). The number of shares covered by such awards is increased by up to the value of dividends declared as if these were reinvested in Company shares at the dates of payment. The outstanding share options included in the calculation of diluted earnings/(loss) per share (note 15) includes these additional awards but they are excluded from the disclosures in this note.

Share options exercised by the Directors during the year are disclosed in the Remuneration Committee Report on page 45.

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

	Expiry date of option	Option exercise price $	Share options (number) 2016	2015
Old Scheme:				
21 Feb 08	21 Feb 18	6.42	164,000	164,000
21 Feb 10	21 Feb 18	0.68	16,000	16,000
New Scheme:				
8 May 12	7 May 22	0.01	100,000	261,257
24 Jul 13	23 Jul 23	0.01	111,843	317,175
3 Jun 14	2 Jun 24	0.01	249,647	349,471
8 Oct 14	7 Oct 24	0.01	480,199	626,855
22 Apr 15	21 Apr 25	0.01	611,109	825,603
18 Apr 16	18 Apr 26	0.01	762,522	–
			2,495,320	2,560,361

Employee Benefit Trust

The Company set up an Employee Benefit Trust ("EBT") 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.

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 the Remuneration Committee Report on page 45.

27. Trade and other payables

	Group		Company	
	31 Dec 16 $'000	31 Dec 15 $'000	31 Dec 16 $'000	31 Dec 15 $'000
Trade and other payables including accruals	3,762	3,907	2,511	2,163
Corporation tax, social security and other taxes	2,258	2,354	138	342
	6,020	6,261	2,649	2,505

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

The Group made a net provision for the 2016 Kazakhstan corporate income tax liability of $940,000 (2015: $638,000) having paid an amount of $8,675,000 in advance during the year (2015: $9,325,000). $533,000 was also paid during the year in relation to 2015 corporate income tax.

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

28. Provisions for other liabilities and charges

Group	$'000
At 1 January 2015	**3,093**
Change in estimate asset retirement obligation Kounrad	207
Unwinding of discount	184
Exchange rate difference	(1,568)
At 31 December 2015	**1,916**
Change in estimate asset retirement obligation Kounrad	(22)
Unwinding of discount	153
Exchange rate difference	40
At 31 December 2016	**2,087**

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 8.07% (2015: 7.22%) representing the risk-free rate (pre-tax) for Kazakhstan.

The reduction in estimate in relation to the asset retirement obligation of $22,000 (2015: increase of $207,000) is due to a combination of adjusting the provision recognised at the net present value of future expected costs using an inflation rate of 6.02% (2015: 5.68%) and discount rate of 8.07% (2015: 7.22%) representing the risk-free rate (pre-tax) for Kazakhstan as well as updating the provision for 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 operations

Group	Note	2016 $'000	2015 $'000
Profit before income tax including discontinued operations		32,758	32,583
Adjustments for:			
Depreciation	17	3,520	7,666
Amortisation	18	1,563	2,720
(Gain)/loss on disposal of property, plant and equipment		(64)	16
Foreign exchange loss/(gain)	16	1,234	(8,992)
Change in provision for doubtful receivables		–	(41)
Share based payments	26	2,959	2,396
Write-off of inventory		–	600
Finance income	13	(67)	(41)
Finance costs	13	158	304
Changes in working capital:			
Inventories	22	(288)	(1,454)
Trade and other receivables	21	3,241	(1,647)
Trade and other payables	27	(268)	(515)
Cash generated from operations		44,746	33,595

30. Commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

Group	31 Dec 16 $'000	31 Dec 15 $'000
Property, plant and equipment	424	4,979
Operational and administrative	946	1,177
	1,370	6,156

31. Dividend per share

In line with the Company dividend policy, the Company paid $20,360,000 in 2016 (2015: $20,368,000) which consisted of a 2016 interim dividend of 5.5 pence per share and a final dividend for 2015 of 8.0 pence per share (2015: interim dividend of 4.5 pence per share and a final dividend for 2014 of 7.5 pence per share). The dividend declared amount recognised in the statement of changes in equity of $20,404,000 is different to the dividend paid recognised in the cash flow statement of $20,360,000 due to dividends payable as at 31 December 2016 recognised in trade and other payables and foreign exchange differences on the GBP declared dividend.

The Directors will propose a final dividend in respect of the year ended 31 December 2016 of 10.0 pence per share at the forthcoming Annual General meeting (AGM).

32. Related party transactions

Key management remuneration

Key management remuneration comprises the Directors' remuneration, including Non-Executive Directors, disclosed in the Remuneration Committee Report on page 44 and other key management personnel of $428,000.

Kenges Rakishev

Mr Kenges Rakishev 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. Consequently, Kenges Rakishev is considered a related party in any dealings he has with the Group. As part of the obligations on Kenges Rakishev for completing the Kounrad Transaction, he signed a relationship agreement with CAML setting out the terms of the relationship between himself and the Group.

Kenges Rakishev is the chairman of the board of directors of JSC Kazkommertsbank ("KKB") and has full control over the voting and other rights of a combined 71.31% stake in KKB's issued and outstanding share capital, made up of shares in KKB held by Kenges Rakishev directly and indirectly. The Group uses the facilities of KKB within Kazakhstan for its normal day-to-day banking and as at 31 December 2016, the Group held $4,053,000 with KKB (31 December 2015: $6,107,000). The Group incurred expenditure of $23,000 on insurance premiums with a subsidiary of KKB. The Group has made an insurance claim under which a syndicate of insurers including a subsidiary of KKB and other insurers, of which Kenges Rakishev is an interested party through shareholdings, have a potential liability (see note 34).

33. Deferred income tax liability

Group

The movements in the Group's deferred tax assets and liabilities which are expected to be recovered or settled more than 12 months after the reporting period are as follows:

	At 1 January 2016 $'000	Currency translation differences $'000	Credit to income statement $'000	At 31 December 2016 $'000
Other timing differences	(134)	–	52	(82)
Deferred tax liability on fair value adjustment on Kounrad Transaction	(10,106)	(1,220)	2,867	(8,459)
Deferred tax liability, net	(10,240)	(1,220)	2,919	(8,541)

A taxable temporary difference arose as a result of the Kounrad Transaction, where the carrying amount of the assets acquired were increased to fair value at the date of acquisition but the tax base remained at cost. The deferred tax liability arising from this taxable temporary difference has been reduced by $2,867,000 during the year ended 31 December 2016 to reflect the tax consequences of depreciating and amortising the recognised fair values of the assets since the date of acquisition.

	At 1 January 2015 $'000	Currency translation differences $'000	Credit to income statement $'000	At 31 December 2015 $'000
Other timing differences	(276)	121	21	(134)
Deferred tax liability on fair value adjustment on Kounrad Transaction	(20,291)	10,185	–	(10,106)
Deferred tax liability, net	(20,567)	10,306	21	(10,240)

33. Deferred income tax liability continued

The devaluation of the Tenge during 2015 resulted in a currency translation difference on the deferred tax liability of $10,306,000 during the year ended 31 December 2015. This is primarily due to the translation of the goodwill arising on the Kounrad Transaction which is denominated in Tenge.

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 $7,991,000 (2015: $5,385,000) as there is insufficient evidence of future taxable profits within the entities concerned. Unrecognised losses can be carried forward indefinitely.

At 31 December 2016, the Group had other deferred tax assets of $1,543,000 (2015: $934,000) in respect of 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 2016 and 2015, respectively.

Company

At 31 December 2016 and 2015 respectively, the Company had no recognised deferred tax assets or liabilities.

At 31 December 2016, the Company had not recognised potential deferred tax assets arising from losses of $7,355,000 (2015: $5,385,000) as there is insufficient evidence of future taxable profits. The losses can be carried forward indefinitely.

At 31 December 2016, the Company had other deferred tax assets of $1,543,000 (2015: $934,000) in respect of share based payments and other temporary differences which had not been recognised because of insufficient evidence of future taxable profits.

34. Events after the reporting period

Kazakhstan VAT recoverability

As at 31 December 2016 a total of $2,838,000 (2015: $4,423,000) of VAT receivable was still owed to the Group by the Kazakhstan authorities. A portion of this amount totalling $238,000 was refunded from the authorities in February 2017 and has been classified as current trade and other receivables as at 31 December 2016.

Insurance claim

In relation to the insurance claim in respect of the operational incident at Kounrad in June 2015, the Group continues negotiations with the insurer in an attempt to achieve a successful outcome.

Mongolia

In December 2016, CAML Mongolia BV signed an agreement with a third party to sell its entire interest in Monresources LLC for cash consideration of $100 with deferred consideration dependent on the outcome of future events. Confirmation of the transfer of shares to the third party was received in February 2017.

Following unsuccessful attempts to dispose of the Ereen project, CAML has taken the decision to exit its position in Zuunmod UUL LLC. It is envisaged that this process will be completed in 2017.

Shuak

Under the terms of the Shuak framework agreement, on 22 February 2017, CAML reduced its interest in Shuak BV to 80%, with 20% effectively being held by local partners. The transfer of the SUC is expected to occur during Q2 2017.

DIRECTORS, SECRETARY AND ADVISORS

Board of Directors
Nick Clarke, Executive Chairman
Nigel Robinson, Chief Financial Officer
Gavin Ferrar, Business Development Director
Nigel Hurst-Brown, Deputy Chairman
Robert Cathery, Non-Executive Director
Roger Davey, Non-Executive Director
Kenges Rakishev, Non-Executive Director
David Swan, Non-Executive Director
Nurlan Zhakupov, Non-Executive Director

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