

CENTRAL
ASIA
METALS
PLC

BUILDING A BIGGER BUSINESS

CENTRAL ASIA METALS PLC
ANNUAL REPORT AND ACCOUNTS

2017

INTRODUCTION

CENTRAL ASIA METALS PLC
(‘CAML’) IS A NEWLY
DIVERSIFIED BASE METALS
PRODUCER THAT OPERATES LOW
COST MINERAL ASSETS TO
ENSURE THAT WE CAN MAKE
ATTRACTIVE RETURNS TO
OUR SHAREHOLDERS

To complement our Kounrad copper
operation in Kazakhstan,
in November 2017 we acquired
Lynx Resources, 100% owner of the Sasa
zinc and lead mine in Macedonia



“
ALTHOUGH WE OWNED SASA FOR
ONLY TWO MONTHS OF 2017, OUR
RESULTS ALREADY REFLECT THIS
ACQUISITION IN OUR IMPROVED
FINANCIAL PERFORMANCE
”



WE ARE PLEASED TO REPORT STEADY PRODUCTION AND COST CONTROL FROM OUR KOUNRAD OPERATION IN KAZAKHSTAN AND A GOOD START TO OWNERSHIP OF OUR SASA ZINC AND LEAD MINE IN MACEDONIA

HIGHLIGHTS

KOUNRAD

- Copper production of 14,103 tonnes (2016: 14,020 tonnes)
- Copper sales of 14,181 tonnes (2016: 13,938 tonnes)
- Western Dumps under leach with 40% of 2017 production from that area
- 2.0 million lost time injury ('LTI') free man hours operated at Kounrad

SASA

- Zinc production of 21,585 tonnes (CAML attributable 3,625 tonnes)
- Lead production of 29,881 tonnes (CAML attributable 4,951 tonnes)
- 1.8 million LTI free man hours operated at Sasa

CORPORATE

- Completed \$402.5 million acquisition of Lynx Resources
- Completed first year due diligence and preliminary exploration programme at Shuak
- Full year dividend of 16.5 pence

COPPER PRODUCTION

14,103t

SASA ZINC PRODUCTION

21,585t

SASA LEAD PRODUCTION

29,881t

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GOVERNANCE

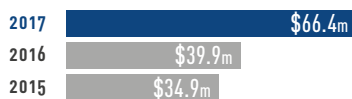
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FINANCIAL HIGHLIGHTS

ADJUSTED EBITDA



\$66.4m*

*Unadjusted EBITDA \$53.8m, adjusted EBITDA excludes Lynx Resources acquisition costs of \$12.6m

C1 CASH COST COPPER



\$0.52/lb*

*See page 29 for definition of C1 cash cost

DIVIDEND



16.5p*

*Includes proposed 2017 final dividend

SASA 2017 C1 CASH COST ZINC EQUIVALENT

\$0.44/lb



FOR MORE INFO, VISIT US ONLINE
WWW.CENTRALASIAMETALS.COM

COMPANY OVERVIEW

A DIVERSIFIED FUTURE

IN NOVEMBER 2017, WE COMPLETED THE \$402.5 MILLION ACQUISITION OF LYNX RESOURCES, 100% OWNER OF THE SASA ZINC-LEAD MINE. WE NOW MOVE FORWARD AS A LARGER AND DIVERSIFIED BASE METALS BUSINESS, WITH LOW COST OPERATIONS IN KAZAKHSTAN AND MACEDONIA

KOUNRAD, KAZAKHSTAN (100%)



PRODUCTION

In 2012, CAML completed construction and began producing copper from the Kounrad in-situ dump leach and SX-EW operation close to Balkhash in central Kazakhstan.

Two self-funded expansions followed and the Company has now fully developed Kounrad, with copper production expected until beyond 2030. Since production commenced, over 68,000 tonnes of copper have been produced at Kounrad, at costs that are amongst the lowest in the world.

- Remaining recoverable copper resources of c. 185,000 tonnes
- Fully developed with 2018 copper production guidance of 13,000 to 14,000 tonnes

2017 COPPER PRODUCTION

14,103t +1%

2017 COPPER SALES

14,181t +2%

 FOR MORE INFORMATION
SEE PAGES 18-21

SASA, MACEDONIA (100%)



PRODUCTION

Sasa is a zinc, lead and silver mine in Macedonia, approximately 150km from the capital city, Skopje. The operation is an underground mine and the processing plant uses froth flotation to produce a zinc concentrate and a lead concentrate containing silver.

These products are then trucked to smelters in Bulgaria and Poland. The mine typically produces between 21,000 and 23,000 tonnes of zinc in concentrate and between 28,000 and 30,000 tonnes of lead in concentrate annually.

- Probable reserves, 10.9 million tonnes at 3.1% zinc and 3.9% lead (JORC compliant)
- Over 23 million tonnes of indicated and inferred mineral resources (JORC compliant)
- 20 year mine life (JORC compliant reserves and resources)

2017 SASA ZINC PRODUCTION

21,585t

2017 SASA LEAD PRODUCTION

29,881t

 FOR MORE INFORMATION
SEE PAGES 22-25

SHUAK, KAZAKHSTAN (80%)



EXPLORATION

Shuak is a copper and gold exploration project with a licence area of 197km² in northern Kazakhstan, 300km north of the capital city, Astana.

During the 2017 field season, the exploration team has undertaken a geophysical survey, plus two drilling programmes totalling over 22,000 metres. The results of this work were encouraging, and have enabled CAML to design a further exploration programme for 2018.

- Extensive exploration undertaken in Soviet times
- Potential for both oxide and sulphide copper mineralisation
- 2017 exploration spend of \$1.5 million, with a budget of \$2.5 million for 2018

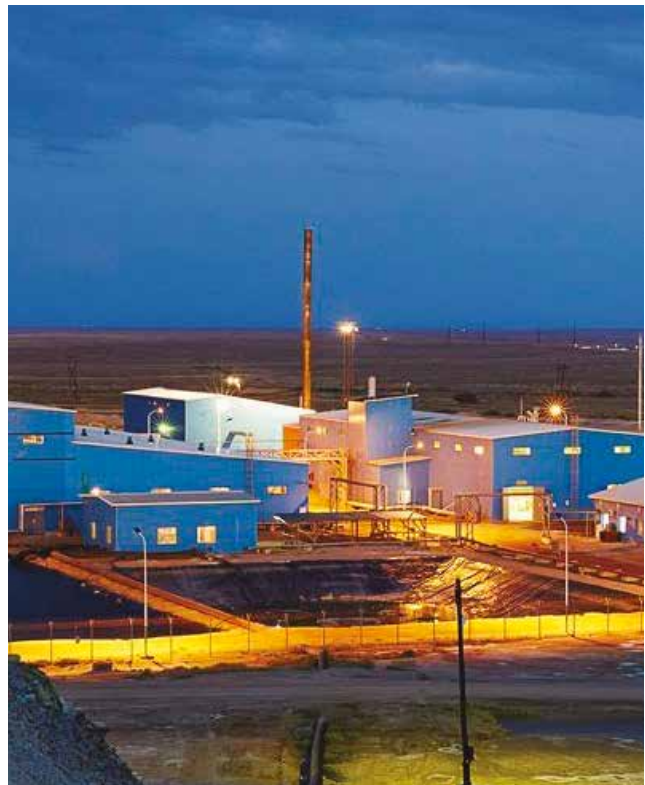
2017 CORE HYDROTRANSPORT ('CHT') DRILLING

17,530m

2017 DIAMOND DRILLING

5,242m

FOR MORE INFORMATION
SEE PAGES 26-27



OUR STRATEGY IS BASED ON
DEVELOPING AND MANAGING
PROFITABLE BASE METALS
PROJECTS FOR THE BENEFIT OF
ALL OF OUR STAKEHOLDERS



FOR MORE INFORMATION
SEE PAGES 10-11

CHAIRMAN'S STATEMENT

BUILDING A
BIGGER BUSINESS

2017 WAS A TRANSFORMATIONAL YEAR FOR US AS OUR BUSINESS DEVELOPMENT ACTIVITIES CAME TO FRUITION WITH THE \$402.5 MILLION ACQUISITION OF LYNX RESOURCES, OWNER OF THE SASA ZINC-LEAD MINE IN MACEDONIA



KEY ACHIEVEMENTS

Following our \$402.5 million acquisition by reverse takeover of Lynx Resources, we became sole owners of the Sasa zinc and lead mine in Macedonia on 6 November 2017.

ACQUISITION OF LYNX RESOURCES

\$402.5m

We now move into the future as a diversified base metals producer in two prospective jurisdictions – Kazakhstan and Macedonia. The acquisition of Sasa now provides the Company with two low cost, long life, and cash generative base metal operations that should ensure the Company remains well positioned throughout the commodity cycle. Sasa has significant Inferred Mineral Resources and other brownfield exploration targets that offer potential for growth in terms of production levels and the life of the mine.

The addition of Sasa to our production portfolio has increased our copper equivalent annual production to approximately 35,000 copper equivalent tonnes, an increase of 150% from the standalone 14,103 tonnes of copper from Kounrad. Likewise, our mineral resources have increased by almost

200% from c.185,000 tonnes of recoverable copper at Kounrad to about 560,000 tonnes of copper equivalent recoverable resources. Importantly, both Kounrad and Sasa have cash costs that are low by industry standards meaning that, at the Group level, CAML has been able to report C1 copper equivalent production costs within the lowest quartile at \$0.76 per pound.

In Kazakhstan, we have enjoyed another year of solid performance from Kounrad with above guidance copper output and continued support to the local communities in which we operate.

We are proposing a final dividend for 2017 of 10 pence per share and, once that has been distributed, we will have paid dividends of \$129 million to our shareholders in less than six years.

CAML has enjoyed an excellent 2017 and I want to thank not only our Board of Directors for their commitment, but all of our employees for their hard work during the year. We welcome our 700 new employees at Sasa and believe that this team has significant talent. We look forward to working together to build the Company's future.

FULL YEAR 2017 DIVIDEND

16.5p



WE WERE DELIGHTED THAT OUR HARD WORK ON THE ACQUISITION WAS REWARDED AS WE WON THE MID-CAP DEAL OF THE YEAR AWARD IN THE PRESTIGIOUS NOVEMBER 2017 MINES AND MONEY OUTSTANDING ACHIEVEMENT AWARDS



WE LOOK FORWARD TO THE FUTURE, PRODUCING THREE BASE METALS WITH ATTRACTIVE FUNDAMENTALS FROM OUR TWO HIGH QUALITY AND LOW COST OPERATIONS

KOUNRAD

Our operations at Kounrad have continued to be reliable and we are pleased to have produced 14,103 tonnes of copper during 2017. In April 2017, we began leaching copper from the Western Dumps post our successful Stage 2 Expansion that was delivered on schedule and 30% below budget due to a combination of cost savings associated with the weaker local currency and engineering efficiencies.

2017 COPPER PRODUCTION

14,103t +1%

During the year, 40% of our copper production was from the Western Dumps, with the percentage contribution increasing throughout the year. Production from the Western Dumps has been in line with our expectations and we are pleased to note that copper leaches from these dumps as we anticipated. During Q4 2017, approximately 65% of the copper that we produced was from the Western Dumps.

While our C1 cash cost of production increased modestly to \$0.52 per pound, our position remains in the lowest quartile of the cost curve and indeed we are proud to be one of the lowest cost copper producers in the world.

INVESTMENT CASE



LOW COST PRODUCER

CAML now operates two low cost operations, producing three base metals with attractive fundamentals – copper, zinc and lead. On a combined basis, CAML should generate annual copper equivalent production of approximately 35,000 tonnes. In 2017, the copper equivalent C1 production cost was \$0.76/lb, ensuring the Group’s position in the lowest quartile by industry standards.

C1 COPPER EQUIVALENT COST

\$0.76/lb



LOOKING AFTER ALL OF OUR STAKEHOLDERS

We strive to look after all of our stakeholders, including our employees, the local communities in which we operate, while supporting developing economies. We are proud to have developed our workforce and helping the local communities with schemes such as the new recreational areas that we have developed in Balkhash.

MAN HOURS WORKED AT KOUNRAD WITHOUT A LTI

2.0m

MAN HOURS WORKED AT SASA WITHOUT A LTI

1.8m



HIGH STANDARDS

CAML maintains high standards in:

- The base metals products that we generate
- Corporate governance
- Our environmental and health and safety standards

COPPER CATHODE PRODUCT PURITY

99.998%



RETURNS

CAML has a proven track record in rewarding shareholders with attractive dividends. The Board is confident that the new 2018 dividend policy will continue to allow the Group to make attractive returns to shareholders.

CAGR TSR SINCE IPO

24.5%

CHAIRMAN'S STATEMENT CONTINUED

SASA

We are delighted with Sasa's operational performance since we assumed ownership of the mine, and were able to report full year production for zinc of 21,585 tonnes and for lead of 29,881 tonnes, which were in line with the 2017 guidance that we gave at the time of the acquisition. Importantly, costs have remained low by industry standards and we believe that this should continue into 2018.

2017 SASA ZINC PRODUCTION

21,585t

Our team has been busy integrating the Sasa mine into the Company during Q4 2017 and, while there is still work to be done, we have made significant progress in the short time that we have owned the mine.

2017 SASA LEAD PRODUCTION

29,881t

SHUAK

During the 2017 due diligence and preliminary exploration season, the Shuak team undertook over 22,000 metres of both core hydrotransport (CHT) and diamond drilling within our 197km² licence area. The findings have been encouraging, with additional oxide potential identified at the Kyzyl-Sor prospect and some interesting deeper intersections of sulphide mineralisation.

We will soon embark on another exploration season in 2018, which should enable us to better understand the potential at Shuak in terms of continuity and likely scale.

COPPER BAY

After announcing the positive results from the Copper Bay definitive feasibility study in January 2017, CAML undertook some additional engineering studies with the intention of improving the economics of the Copper Bay project. Some capital expenditure savings were identified and there is the potential to optimise the project further in the future. However, in the context of our new Sasa mine, the Board decided that Copper Bay was no longer a material asset for us and so we have commenced a formal sales process.

MARKET PERFORMANCE

2017 was a much improved year for the commodity markets with the average copper and zinc LME prices 27% and 38% respectively higher than those achieved in 2016.

This momentum commenced in Q4 2016 and we are pleased that it continued throughout 2017, with analyst consensus commodity price forecasts now moving higher. 2018 has also started positively, with the market dynamics underlying copper, zinc and lead being stronger than they have been for a considerable period of time.

That said, at Kounrad we have always focused on ensuring that our operations are as low cost as possible as this gives us comfort that we can continue to operate in depressed commodity price environments. We take the same philosophy to Sasa, which is also a low cost operation.

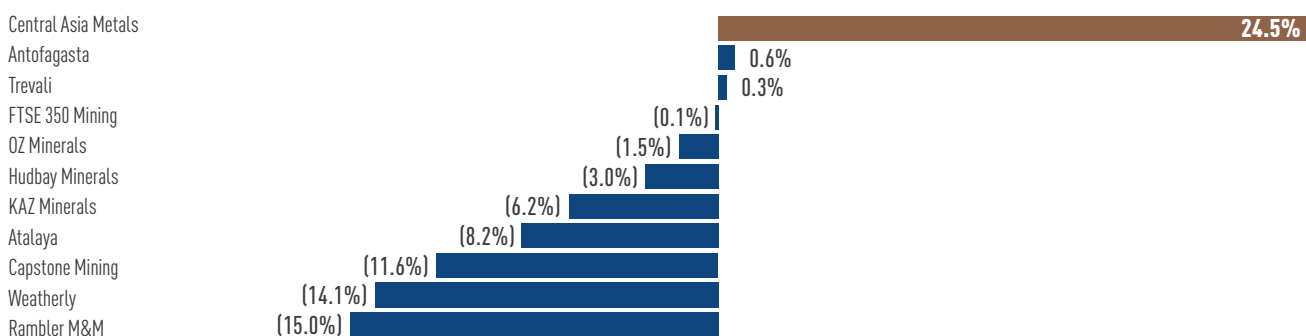
OUTLOOK

2018 is an exciting year for us as we look forward to a full year of operations from both of our sites. We expect steady production from both Sasa and Kounrad. We have set our 2018 copper production target at between 13,000 and 14,000 tonnes. We expect to produce between 21,000 and 23,000 tonnes of zinc and between 28,000 and 30,000 tonnes of lead from Sasa during 2018.

At Kounrad, our proportion of copper production from the Western Dumps will increase to approximately 65% in 2018, and, by 2020, almost all of our production will be from those areas. At Sasa, our operational focus will be on completing construction of the new tailings storage facilities ('TSF 4'), that will ensure sufficient storage for operations until at least 2026.

Both Kounrad and Sasa are expected to be highly cash generative and should enable the Company to remain one of the leading dividend payers in the sector. From 2018, the CAML dividend policy is to return to shareholders a target range of between 30% and 50% of free cash flow, defined as net cash generated from operating activities less capital expenditure. While we have made changes to our dividend policy, we believe that this policy, coupled with the profitable nature of our two operations, should ensure that our shareholders continue to receive attractive dividends from us.

COMPOUND ANNUAL GROWTH RATE ('CAGR') TOTAL SHAREHOLDER RETURNS ('TSR') SINCE IPO



* Source: Peel Hunt



WE REMAIN COMMITTED TO REWARDING OUR INVESTORS WITH ATTRACTIVE DIVIDENDS AND ARE PROUD TO HAVE RETURNED TO OUR SUPPORTIVE SHAREHOLDERS \$129M IN DIVIDENDS AND SHARE BUY BACKS DURING THE LAST SIX YEARS



We have built strong business and community relationships in Kazakhstan, having spent in excess of \$1.5 million on local charitable worthy causes to enhance the lives of our employees, their families and their communities in Kounrad and Balkhash. I am particularly proud of the financial and practical support we provided in 2017 for the new recreational areas in central Balkhash, which comprise playgrounds and multi sports facilities.

We are pleased that the Sasa team shares the same ethos in terms of ensuring that all of our stakeholders benefit from our successes as this is particularly important when operating in emerging markets. I was proud that Sasa has supported The International Day for Disabled Persons in the local town, Makedonska Kamenica, and this will continue into the future.

I am proud of our achievements since listing in 2010. We are now positioning ourselves for the next stage of growth and I am therefore delighted to announce the following management changes.

Our Chief Financial Officer, Nigel Robinson, who has been instrumental in the success of our business since before our IPO, will take on the role of Chief Executive Officer. Gavin Ferrar will become Chief Financial Officer and will also retain responsibility for future business development activities. Gavin's in-depth banking industry experience is becoming increasingly important as we grow and continue to develop our business. These changes will come into effect on 16 April 2018 and will provide continuity amongst the current senior management team.

NICK CLARKE
Chairman

KEY MILESTONES

2017 ACQUISITION

COMPLETED \$402.5M ACQUISITION OF LYNX RESOURCES TO BECOME 100% OWNER OF SASA ZINC-LEAD MINE IN MACEDONIA

\$402.5m

2017 PRODUCTION

COMMENCED SUCCESSFUL LEACHING OF WESTERN DUMPS

2017 SHAREHOLDER RETURNS

CAML HAS NOW RETURNED TO SHAREHOLDERS 129M IN DIVIDENDS AND SHARE BUYBACKS (SINCE 2012)

\$129m



2016 STAGE 2 EXPANSION, KOUNRAD

MATERIALLY COMPLETED \$13M SELF-FINANCED EXPANSION TO EXTEND SITE INFRASTRUCTURE TO ENABLE LEACHING OF WESTERN DUMPS TO COMMENCE

\$13m



2015 STAGE 1 EXPANSION, KOUNRAD

COMPLETED \$13M SELF-FINANCED INVESTMENT TO INCREASE THROUGHPUT CAPACITY AT KOUNRAD



2014 KOUNRAD OWNERSHIP

INCREASED KOUNRAD OWNERSHIP FROM 60% TO 100%



2012 SHAREHOLDER RETURNS INSTIGATED DIVIDEND POLICY

2012 COPPER PRODUCTION

COMPLETED CONSTRUCTION AND COMMENCED PRODUCTION OF KOUNRAD EASTERN DUMPS



2010 IPO

INITIAL FUNDS RAISED \$60M

BUSINESS MODEL

HOW WE GENERATE VALUE

CENTRAL ASIA METALS GENERATES VALUE FOR ITS SHAREHOLDERS THROUGH THE MINING AND EXTRACTION OF SALEABLE METAL PRODUCTS AND THROUGH THE IDENTIFICATION OF ACCRETIVE BUSINESS DEVELOPMENT OPPORTUNITIES

DRAWING ON OUR
KEY STRENGTHS

RESOURCES

Kounrad, 185,000 tonnes of recoverable copper, which should ensure a life of operation beyond 2030.

Sasa has probable reserves and inferred resources to support a 20 year life of mine.

KOUNRAD RECOVERABLE MINERAL RESOURCE

185,000t

OPERATING WITH
EXCELLENCE

LOW COST OPERATION

Copper C1 cash cost \$0.52/lb

Zinc equivalent C1 cash cost \$0.44/lb

On a combined copper equivalent basis, C1 cash cost are \$0.76/lb

C1 COPPER EQUIVALENT CASH COST

\$0.76/lb

DELIVERING VALUE FOR
ALL OUR STAKEHOLDERS

INVESTORS

ADJUSTED EBITDA

2017	\$66.4*
2016	\$39.9m
2015	\$34.9m

*Unadjusted EBITDA \$53.8m, adjusted EBITDA excludes Lynx Resources acquisition costs of \$12.6m

DIVIDEND

2017	16.5p
2016	15.5p
2015	12.5p

Our focus since CAML's 2010 IPO was initially on construction of the SX-EW plant and initiation of 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 to broadly sustainable levels.

Our investment in Kounrad and its low cost copper production has over the years enabled us to employ 350 people at our

operation, support the local community in which we operate and return \$129 million in dividends and share buy backs to our investors.

Our 2017 acquisition of the Sasa zinc and lead mine in Macedonia sees us move into the future as a diversified and low cost base metals producer with operations in two highly prospective jurisdictions. This should enable us to continue to invest in the communities in which we work, and to continue offering attractive shareholder returns.

PROVEN PROCESS

Six years successfully leaching copper at Kounrad.

SX-EW plant produces copper cathode in a relatively simple and reliable processing facility. Capacity to produce 50 tonnes of cathode daily.

Sasa produces a zinc concentrate and a lead concentrate through standard comminution and froth flotation.

PEOPLE, KNOWLEDGE AND EXPERIENCE

Our predominantly Kazakh workforce at Kounrad is highly skilled and experienced.

Only 1% of our workforce at Sasa are expatriates, and we have a strong and experienced local team.

Strong Board and London-based senior management team.

IN COUNTRY KNOWLEDGE

12 years' operations in Kazakhstan, with senior board representation from in-country business leaders.

We are able to work in the country effectively, and CAML has been recognised as one of the country's leading tax payers.

Currently, we are building up our knowledge of Macedonia and are proud to own such an important Macedonian business.

ESTABLISHED SALES PIPELINE

Copper cathode sold through offtake with Traxys, which purchases our product directly from site.

Traxys has also been retained as offtake partner to market our zinc and lead concentrates from Sasa.

Sasa products are highly sought after as "dilution concentrates"



FOR MORE INFORMATION
SEE PAGES 18-25

HIGH OPERATING STANDARDS

LTI free man hours

KOUNRAD

SASA

2.0m

1.8m

LIFE OF OPERATIONS

KOUNRAD (YEARS)

SASA (YEARS)

13+

20+

EMPLOYEES

KOUNRAD

SASA

350

700

TOTAL

1,060*

*Includes head office staff



FOR MORE INFORMATION
SEE PAGES 18-25

GOVERNMENT

\$102m paid in taxes in Kazakhstan since operations commenced.

Sasa is one of the top 10 tax paying companies in Macedonia.

TAX PAID IN KAZAKHSTAN

\$102m

COMMUNITY

\$1.5m social contributions in Kazakhstan in six years, including 2017 funding of \$80,000 to develop new recreational areas in Balkhash.

\$0.3m in 2017 in Macedonia, including funding of local men's and women's football teams.






TOTAL KAZAKHSTAN SOCIAL CONTRIBUTIONS

\$1.5m

OUR STRATEGIC OBJECTIVES

MAINTAINING FOCUS ON
OUR KEY STRENGTHS

OUR STRATEGY IS TO PRODUCE METAL PRODUCTS 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 2017	2018 PRIORITIES
 <p>Extracting maximum value from our Kounrad operation</p>	<p>CAML commenced copper production from the Western Dumps in 2017, following the successful completion of the Stage 2 Expansion, on time and c. 30% below budget. 40% of 2017 copper production was leached from the Western Dumps.</p>	<p>It is estimated that approximately 65% of 2018 copper production will be leached from the Western Dumps.</p> <p>2018 copper production guidance of between 13,000 and 14,000 tonnes.</p>
 <p>Continue to integrate and enhance production from Sasa</p>	<p>Following CAML's ownership of Sasa in November 2017, the mine produced zinc and lead in concentrate in line with expectations.</p> <ul style="list-style-type: none"> - Zinc production, 21,585 tonnes - Lead production 29,881 tonnes 	<p>Incremental increase in mined ore production expected at Sasa, with 2018 production guidance of between 780,000 and 800,000 tonnes.</p> <ul style="list-style-type: none"> - Metal production guidance from Sasa, zinc, between 21,000 and 23,000 tonnes - Metal production guidance from Sasa, lead, between 28,000 and 30,000 tonnes
 <p>Focus on maintaining low production costs</p>	<p>Continued focus on maintaining position firmly in the lowest quartile of the C1 copper cost curve.</p> <ul style="list-style-type: none"> - 2017 C1 cash cost of production of \$0.52/lb (industry basis) - 2017 zinc equivalent C1 cash cost of production of \$0.44/lb 	<p>Continued focus on operational and capital cost discipline at both Kounrad and Sasa.</p>
 <p>Maintain high Corporate Social Responsibility ('CSR') standards</p>	<p>Continued programme of environmental monitoring at and around Kounrad's Western Dumps.</p> <p>Continued help in the local community, including \$80,000 funding and help with construction of new recreational areas in Balkhash for children and adults.</p> <p>Continuation of tree planting programme that was underway at Sasa as CAML assumed ownership.</p> <p>Sasa is active in the local community, including sponsorship of local football and other team sporting activities.</p>	<p>Continue drilling programme of monitoring boreholes at Kounrad.</p> <p>Community focus remains on health, education and charitable organisations based in Kazakhstan.</p> <p>At Sasa, CAML will continue to increase its understanding of the CSR needs at Sasa and pledges to help the local community where possible and appropriate.</p>
 <p>Increase shareholder value</p>	<p>33% of cumulative Kounrad gross revenue returned to shareholders to date.</p> <p>Completed \$402.5 million Lynx Resources acquisition, resulting in a bigger business, producing three attractive base metal products in two prospective jurisdictions.</p>	<p>Continue returning cash to shareholders by initiating new, sustainable dividend policy reflecting CAML financial position post Sasa acquisition.</p> <p>Regular review of business opportunities with a view to maximising future growth and diversifying asset base.</p> <p>Shuak 2018 exploration budget, \$2.5 million, to include further CHT and diamond drilling.</p>

KEY PERFORMANCE INDICATORS

PRINCIPAL RISKS AND UNCERTAINTIES

TONNES PRODUCED



PLANT AVAILABILITY



Operational

21,585t

ZINC PRODUCED IN 2017

29,881t

LEAD PRODUCED IN 2017

Operational

C1 CASH COST, KOUNRAD



\$0.44/lb

2017 ZINC EQUIVALENT C1 CASH COST, SASA

Operational

Financial

161

ENVIRONMENTAL INSPECTIONS
UNDERTAKEN AT KOUNRAD IN 2017
WITH NO MAJOR ISSUES RAISED

2.0m

LTI FREE MAN HOURS
WORKED AT KOUNRAD

1.8m

LTI FREE MAN HOURS
WORKED AT SASA

Safety, social and environmental

DIVIDENDS



Corporate

Financial

BUILDING A BIGGER BUSINESS

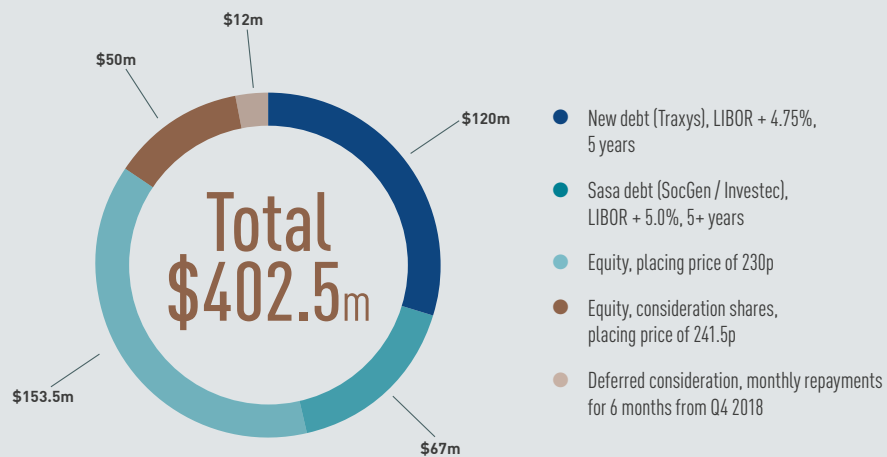
SASA STRATEGY IN ACTION



STRATEGIC RATIONALE TO ACQUIRE SASA

Our ability to return funds to shareholders has become a core principle of our business. Now that Kounrad is fully developed, we have been undertaking business development activities for some years to identify a complementary asset that would enhance our metal production while still allowing us to pay attractive dividends.

LYNX RESOURCES ACQUISITION



We believe that Sasa is a compelling fit for us, and that its acquisition creates a new diversified base metals company.

- Sasa has a proven operational track record. While mining commenced at the site over 50 years ago, consistent production levels have been achieved for at least the last eight years at C1 costs that are low by industry standards.
- Sasa is a long life asset and, based on the mine's current Probable Ore Reserves, production can be maintained until at least 2032.
- The mine has additional Inferred Mineral Resources within the existing mining licence at both Svinja Reka and Golema Reka, which offer the potential to increase the life of the operation to 2038.
- There is also additional resource potential in the Kozja Reka deposit area, which was previously mined between 1966 and 1989.
- Sasa provides a 100% increase in CAML annual copper equivalent production of 150% from c.14,000 tonnes to c.35,000 tonnes.
- Increase in CAML total recoverable copper equivalent resources of almost 200%.

"We are delighted to be the owners and operators of Sasa. We can already see the benefits of the acquisition, which is an impressive operation with an experienced and dedicated team. We are confident that we can build on and enhance the operational performance that is already instilled into the culture at Sasa and we continue to focus on areas that we can incrementally improve."

GAVIN FERRAR, BUSINESS DEVELOPMENT DIRECTOR



OUR MARKETS

BECOMING A DIVERSIFIED BASE
METALS PRODUCER

AFTER SOME CHALLENGING YEARS FOR COMMODITY PRICES, WE WERE PLEASED THAT COPPER, LEAD AND ZINC WERE THE BEST PERFORMING BASE METALS OF 2017 AND THIS, COUPLED WITH A POSITIVE REACTION TO THE LYNX RESOURCES ACQUISITION, RESULTED IN AN IMPRESSIVE CAML SHARE PRICE PERFORMANCE DURING THE YEAR

FOCUSED ON BASE METALS

Following the completion of the Lynx Resources acquisition, CAML has diversified its commodity price and political risk exposure by adding zinc and lead production from Sasa in Macedonia to its copper production from Kounrad in Kazakhstan.

In general, 2017 was a strong year for CAML's suite of base metals, which averaged a 28% price increase. While there were specific drivers for the individual price increases, all of the metals benefited from the strong performance of the Chinese economy. The World Bank has raised its economic growth forecast for China to 6.5% in 2018, which is expected to support consumption for base metals. Under the leadership of President Xi Jinping, China is set to proceed with its "Belt and Road" initiatives to further expand its economic growth and this should be particularly positive for Kazakhstan.

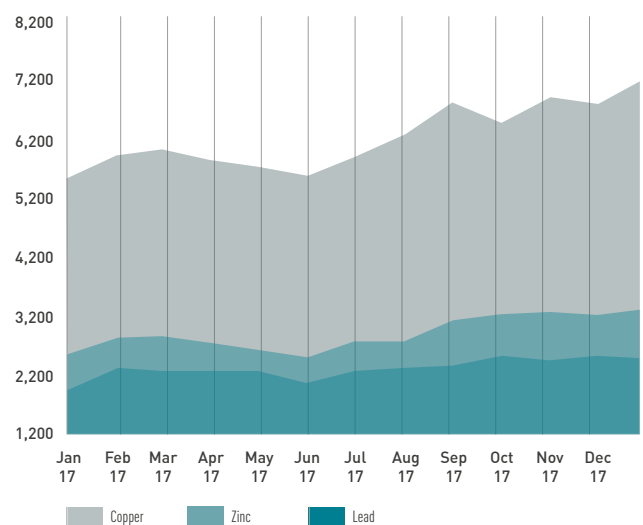
Recent changes in US tax legislation under the Trump administration are aimed to boost economic growth, reignite the domestic trade and pave the way for US construction companies to do more business – an area where demand for industrial metals should grow.

COPPER

During the year, copper traded within the range of \$5,466 and \$7,216 per tonne averaging \$6,173 per tonne (2016: \$4,867 per tonne). Copper started the year at \$5,501 per tonne and closed at \$7,157 per tonne which represented an annual increase of 30%.

The International Copper Study Group ('ICSG') expected mined production of copper to have fallen by 3% in 2017 due to disruptions in Chile and Indonesia in particular and reducing output from other major mining countries. New and curtailed production from Zambia and DRC could lift supply by around 2.5% to 20.3 million tonnes in 2018, a figure estimated by both Wood Mackenzie and ICSG. Wood Mackenzie estimates refined copper demand of 24 million tonnes by 2019.

2017 LME PRICE COPPER, ZINC, LEAD (\$/t)



Many industry commentators are expecting a challenging year for copper supply in 2018, due to the number of significant labour negotiations scheduled for the year, particularly in major copper producers Chile and Peru. This could mean another positive year for the copper price.

ZINC

During the year zinc traded within the range of \$2,435 and \$3,370 per tonne averaging \$2,893 per tonne (2016: \$2,094 per tonne). Zinc started the year at \$2,563 per tonne and closed at \$3,309 per tonne which represented an annual increase of 29%.

According to Wood Mackenzie, much of the uncertainty facing the zinc market was effectively eliminated in January 2018 as Glencore, the world's largest zinc miner, issued its 2018 production guidance which included the restart of its idle



Lady Loretta mine (160kt/year at full production), which forms part of the Mt Isa complex. Importantly, Glencore's guidance made no mention of the return of the Iscaycruz (80kt/year) mine in Peru or the McArthur River expansion (185kt/year), thus allaying fears that a significant increase in near-term supply was possible.

Global zinc consumption is now forecast to grow from 14.1 million tonnes in 2016 to 15.1 million tonnes in 2019, which equates to an average growth rate of 2.4%, or an average annual incremental increase of 340,000 tonnes over the period. Global mine output in 2017 was estimated to have grown by 6.3% to 13.1 million tonnes. In 2018 and 2019 production is expected to grow by 5.1% and 5.7% respectively to 14.6 million tonnes. Global smelter production, meanwhile, is forecast to contract by 0.2% in 2017 to 13.6 million tonnes. Improved supplies of concentrate in 2018 and 2019 are forecast to enable a rebound in production with growth of 6.6% and 3.7% respectively projected to lift output to 15 million tonnes in 2019.

The International Lead and Zinc Study Group ('ILZSG') reported that the global refined zinc market was in deficit of 495,000 tonnes in 2017, significantly higher than the 219,000 tonne deficit seen in 2016. During 2017, demand was supported by China's stricter environmental legislation, which resulted in a muted response to increasing prices from China. By the end of 2017, the zinc concentrates market was tight, resulting in lower spot treatment charges in the order of \$25 to \$38 per tonne on a CIF into China basis. Going forward, however, rising availability from India, Australia and South Africa could result in a more balanced market.

In 2018, additional supply could enter the zinc market, such as MMG's Dugald River, which began producing in November 2017. Metal Bulletin Research forecasts an increase in output of 445,000 tonnes in 2018, taking into account the possibility of the restart of Century tailings in Australia and potential rebound in Chinese mine production.

LEAD

During the year, lead traded within a range of \$1,985 per tonne and \$2,587 per tonne averaging \$2,316 per tonne (2016: \$1,871 per tonne). Lead started the year at \$1,985 per tonne and closed at \$2,495 per tonne, representing a total annual increase of 26%.

The ILZSG estimates that the global refined lead market was in deficit of over 165,000 tonnes in 2017, compared with the balanced outlook it previously forecast. The ILZSG forecasts the market to record a further 45,000 tonne shortfall in 2018.

Availability of lead concentrates remains tight, as demonstrated by spot treatment charges, which were \$10 to \$25 per tonne by the end of 2017. US sanctions against North Korea could also restrict lead concentrate supplies into the global market.

Global vehicle sales, which are reaching cyclical peaks in some markets, look set to stay at strong levels. That said, consultancy LMC Automotive expects US conventional auto sales to dip slightly to 17 million vehicles in 2018 from the 17.2 million units sold in 2017. It also suggests sales could slow to 16.8 million vehicles in 2019.

OUR MARKETS CONTINUED

In the long term, there are arguably strong headwinds for the lead industry with various developed economy governments proposing to phase out internal combustion engine vehicles in favour of electric vehicles, which typically use more environmentally friendly batteries such as lithium-ion.

That said, tightness in mined supply of lead in the near to medium term in the context of the Sasa 20 year mine life does not give CAML significant concerns on the long term future of this metal.

IMPRESSIVE CAML SHARE PRICE PERFORMANCE

Since the Company's IPO in September 2010, CAML's share price has significantly 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 seven-year period in which the shares have been publically quoted, CAML can demonstrate a CAGR in total shareholder returns, taking into account share price appreciation and dividends to shareholders, of 24.5%.

During 2017, the CAML share price closed the year at £3.06, which represents a 35.4% increase (31 December 2016: £2.26). While this share price appreciation appears to be driven by diversification of country and commodity risks following the completion of the acquisition of the Sasa mine in Macedonia, improved liquidity of CAML shares and the improvement in the copper, zinc and lead prices have also contributed to the share price increase.

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

OUR MARKETS - KAZAKHSTAN

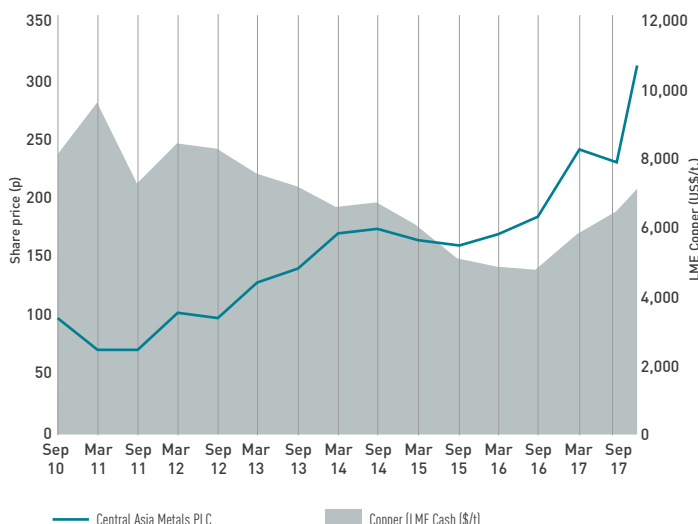
Kazakhstan's economy has benefitted from increased flexibility over the past decade. Although the state maintains significant ownership of key enterprises, particularly in the energy sector, more privatisation is being sought. Beneficial structural reforms have included bank privatisation, implementation of competitive flat tax rates, and modernisation of the trade regime. In 2016, Kazakh sovereign wealth fund, Samruk Kazyna, announced its plans to privatise many of its businesses, such as Kazatomprom, Air Astana and KazMunayGas so as to reduce the state's involvement in business to 15% by 2021.

The World Bank reported 2017 Kazakhstan economic growth of 3.7%, an increase from 2.4% reflecting a stronger Russian economy and better-than-expected oil sector performance, driven by the launch of production at the Kashagan oil field and higher oil prices.

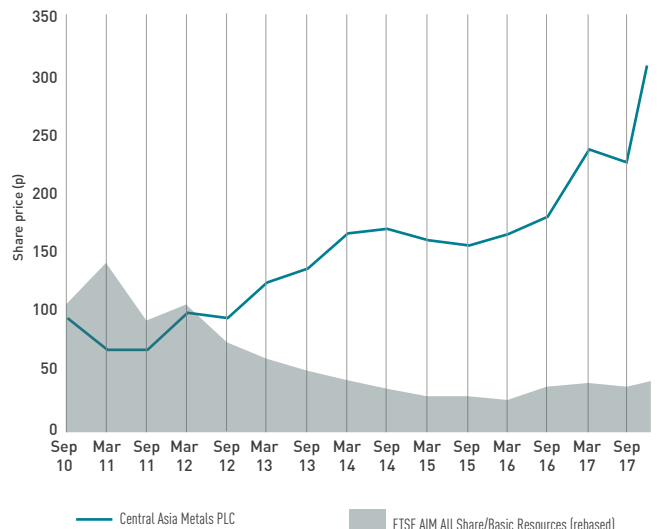
Going forward, the Government may look to implement structural reforms to diversify the economy and increase its growth potential outside the oil sector. FocusEconomics panellists project economic growth of 3.3% in 2018, rising to 3.5% in 2019.

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

SHARE PRICE PERFORMANCE VS. COPPER PRICE



SHARE PRICE PERFORMANCE VS. THE MARKET



Officially, the Kazakh Tenge (KZT) is now in free-float. Future movements are likely to be closely related to oil prices, which The Economist Intelligence Unit assumes will rise on average over the medium term. During 2017, the Tenge was relatively stable at between a low of 310KZT to the US Dollar in May 2017 and 345KZT to the US Dollar in October 2017. The average was 326KZT to the US Dollar. 2017 inflation in Kazakhstan was 7.1%, which was broadly in line with the target from the National Bank of Kazakhstan of between 5% and 7%.

Kazakhstan is well placed to benefit from the Chinese “Belt and Road” initiative, which involves China restoring the ancient Silk Road, with economic corridors to Europe. This initiative was originally launched by Chinese President Xi in 2013 in Kazakhstan. Since 2014, c.\$20 billion has been invested in Kazakhstan, with around \$8 billion in 2017.

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.

OUR MARKETS – MACEDONIA

According to the National Bank of Macedonia, the country’s economy grew by 1.4% in 2017. The International Monetary Fund (‘IMF’) has cut its forecast for Macedonia’s economic growth in 2018 to 3.2% from 3.4% and estimates an expansion of 3.4% during 2019.

Macedonia is expected to swing to 2017 inflation of 0.3%, from a 0.2% deflation reported for 2016. Macedonia’s inflation is expected to be 2.6% in 2018 and 1.9% in 2019. The country’s current account deficit is projected at 2.3% of GDP in 2017 and is expected to widen to 2.5% in 2018 and 2.8% in 2019. Unemployment is expected to gradually decrease from 23.4% in 2017 to 23.2% next year and 23.0% in 2019, according to the IMF report. The local currency, the Macedonian Denar, is pegged to the Euro.

The economy is vulnerable to economic developments in Europe, with which it has most of its trade ties. It seeks to be an accession state into the EU and appears to be working hard to expedite this process. The low corporate and personal income tax rates should help to attract foreign direct investment.



OPERATIONAL REVIEW

KOUNRAD

WE ARE PLEASED TO REPORT ANOTHER YEAR OF COPPER PRODUCTION AT KOUNRAD AT THE TOP END OF OUR GUIDANCE RANGE. BY 31 DECEMBER 2017, OUR SX-EW PLANT IN KAZAKHSTAN HAD PRODUCED 68,426 TONNES OF COPPER CATHODE DURING ITS 68 MONTHS OF OPERATION, EQUATING TO AN AVERAGE OF JUST OVER 1,000 TONNES PER MONTH

2017 COPPER CATHODE PRODUCTION

During the course of the year, the solvent extraction – electrowinning ('SX-EW') plant produced record copper output of 14,103 tonnes (2016: 14,020 tonnes), which represents a marginal increase on 2016. While there has been a c. 42% increase in annual copper cathode output from Kounrad since production commenced in April 2012, the project is now fully developed and management does not expect material annual increases in production in the future.

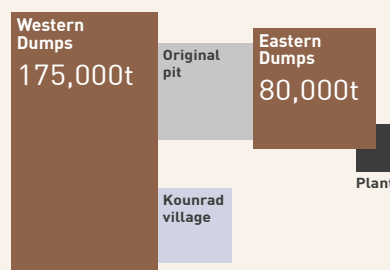
The Stage 2 Expansion, comprising the required infrastructure to connect the SX-EW plant that is close to the Eastern Dumps, to the Western Dumps, was officially completed in Q2 2017. During Q1 2017, final outstanding works were undertaken, including the replacement of some gaskets in the solution pipelines together with the installation of the main solution pipelines running up to the initial leaching areas.

The final cost of the Stage 2 Expansion was \$13.3 million, almost 30% below the 2015 estimated capital budget.

During Q2 2017, leaching operations commenced on the Western Dumps and 5,566 tonnes of the 2017 production was leached from this area.

**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

IRRIGATION

Irrigation of dumps

LEACHING

Leaching of copper into PLS solution

The Company is targeting 2018 copper cathode production in line with that of 2016 and 2017 at 13,000 to 14,000 tonnes. During 2018, it is projected that approximately 65% of the copper produced from Kounrad will be from the Western Dumps, which have different leaching characteristics to the Eastern Dumps, with longer leaching periods together with slightly lower overall recoveries.

LEACHING OPERATIONS

During 2017, leaching operations were conducted at both the Eastern and Western Dumps. Leaching was initiated at the Western Dumps on 7 April 2017, starting on Dump 22 and followed by Dump 16. Western Dump leaching has been successful, continuing without interruption throughout 2017.

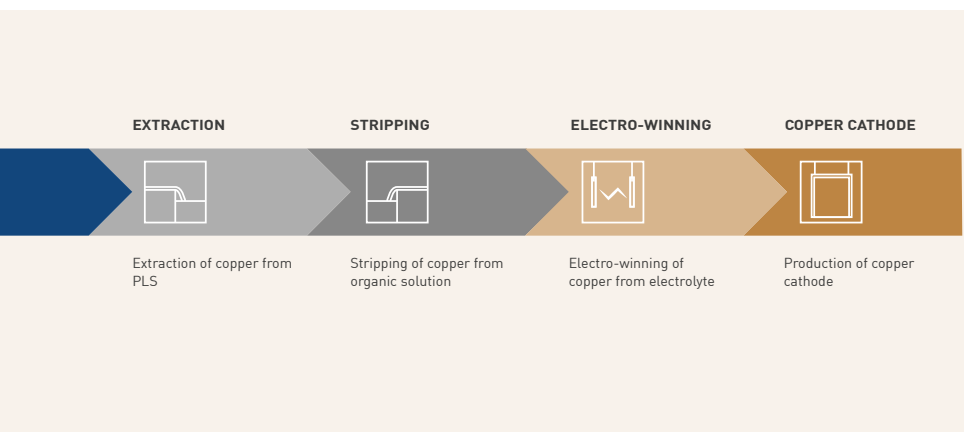


The 5,566 tonnes of copper that have now been recovered from the Western Dumps equates to 40% of 2017 production and is in line with expectations. During Q4 2017, output from the Western Dumps was approximately 65% of total production.

During the year, our retained consultant, Phil Crane of PCMETS Consulting, has visited site twice to undertake a review of the leaching performance across the operation, but specifically at the Western Dumps. His initial assessment is that a review of almost seven months data demonstrated an encouraging start to Western Dump leaching operations.

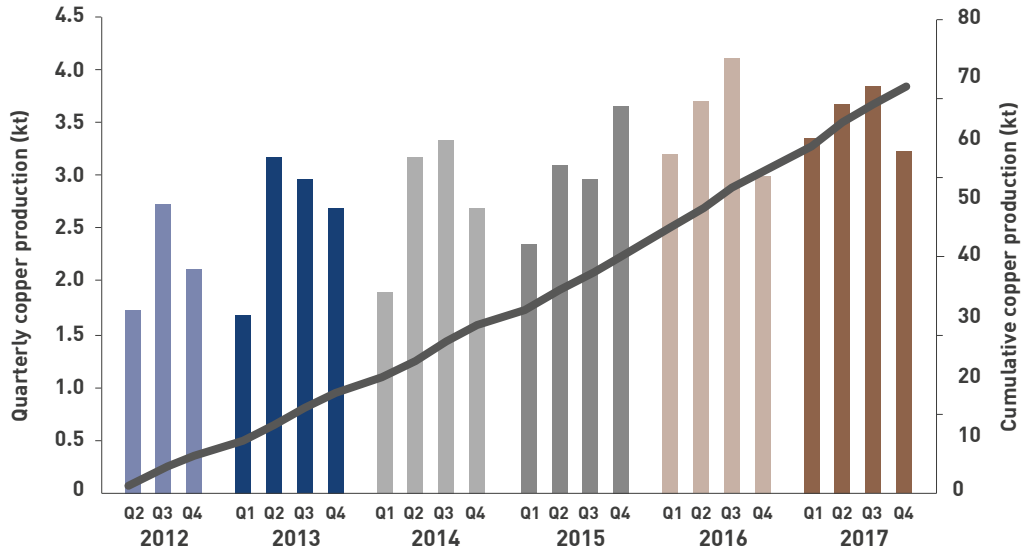
In addition, initial assessments of the leach results appear to be positive and closely aligned with the expectations from the extensive laboratory tests conducted prior to the start of commercial operations.

Leaching operations also continued at the Eastern Dumps throughout 2017 and a total of 8,537 tonnes were recovered from this area, primarily from Dump 5. The estimated amount of recoverable copper remaining at the Eastern Dumps as at 31 December 2017 is 16,400 tonnes. Consequently, copper production from the East will decline over the next couple of years as the Western Dump leach operations become the main contributor to copper output at Kounrad.



OPERATIONAL REVIEW CONTINUED

KOUNRAD QUARTERLY COPPER PRODUCTION 2012-2017



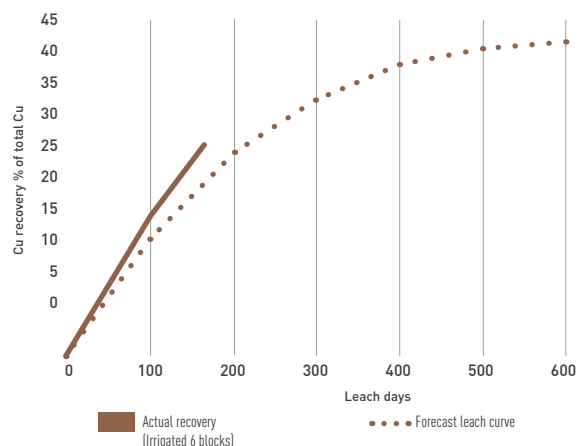
SX-EW PLANT

The SX-EW plant continued to operate efficiently during 2017 and the overall availability throughout the year was 99.5% (2016: 98.6%). A number of plant improvements were made during the year, including completion of the cathode replacement programme.

A total of 2,224 stainless steel cathodes used for plating the copper were delivered to site during the year and 1,800 were installed to replace the original cathodes that have been in place since April 2012. This replacement programme had a positive impact on the quality and appearance of the copper cathode being produced. During 2016 all 2,326 of the original EW1 inventory lead anodes were also replaced.

The anticipated life of the new cathodes and anodes is four to six years, although management also plans to trial a refurbishment programme with the supplier during 2018 aimed at extending the lives of the cathodes and providing a more cost effective solution to their wholesale replacement from 2022 onwards.

WESTERN DUMPS COPPER RECOVERY



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. The quality has consistently been reported at around 99.998% during the year.

In 2017, 10 used shipping containers were placed outside the Kounrad site offices in order to improve the on-site storage facilities of copper cathode prior to shipment. Each container can hold approximately 120 tonnes of cathode, thereby providing almost 1,200 tonnes of storage capacity. The containers protect the cathode from the outside elements thereby improving their overall appearance at shipment as well as enhancing security.

The Company continues to sell the majority of its copper production through its offtake arrangements with Traxys. As a consequence of the acquisition of the Sasa mine in Macedonia (page 12-13), this arrangement is now fixed through to 22 September 2022.



OPERATIONAL REVIEW

SASA

WE ARE DELIGHTED TO HAVE ACQUIRED SASA, WHICH IS A LOW COST AND ESTABLISHED ZINC AND LEAD PRODUCER WITH A 20 YEAR MINE LIFE. SASA HAS PERFORMED WELL SINCE OUR ACQUISITION AND WE LOOK FORWARD TO A FULL YEAR OF OPERATIONS IN 2018

HISTORY

The Sasa mine has an operational history of over 50 years with the mine being initially operated as a state owned entity of the Socialist Federal Republic of Yugoslavia. The mine closed due to low commodity prices and insufficient state funding in the early 2000s, but was privatised and reopened in 2006 by the Solway Group.

A programme of modernisation and upgrade of facilities was then undertaken between 2006 and 2010 to restore production to previous levels. In 2015, the operation was purchased by Lynx Resources, which upgraded processes and procedures to ensure that the operation was adhering to international standards.

A particular area of focus was the implementation of a risk based Safety Management System. The operation is currently certified with compliance with International Standards: ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System), BS OHSAS 18001 (Occupational Health and Safety Management System) and ISO/IEC 17025 (Accreditation of Analytical Laboratory). In addition, Sasa is the first, and only, mining operation in Macedonia that has been issued with a Class A IPPC (Integrated Pollution Prevention and Control) permit.

Sasa is an underground mine that employs approximately 700 people and



WHAT WE DO

MINE



Sub-level caving underground mine with ore transported to surface by shaft (70%) and by truck (30%)

CRUSH AND SCREEN



Jaw and cone crushers

MILL



Rod mills, spiral classifiers and ball mills. Ore milled to c.74 microns

FROTH FLOTATION



Two concentrates produced – lead containing silver, and zinc



Sasa typically receives from smelters approximately 85% of the value of its zinc in concentrate and approximately 95% of the value of its lead in concentrate. Accordingly, 2017 payable production of zinc was 18,091 tonnes and of lead was 28,387 tonnes. CAML attributable payable base metal sales since 1 November 2017 were 2,906 tonnes of zinc and 4,559 tonnes of lead.

During 2017, Sasa sold 375,544 ounces of payable silver. Due to an existing streaming agreement with Osisko Gold Royalties, CAML will receive a base of \$5 per ounce for its silver production for the life of the Sasa mine. 2017 payable silver sales since 1 November were 67,485 ounces.

has a good track record in terms of health and safety, having amassed 1.8 million man hours without a lost time injury.

PRODUCTION

In 2017, mined and processed ore was 792,068 tonnes and 793,332 tonnes respectively. The 2017 average head grades were 3.18% zinc and 3.98% lead.

Sasa’s processing plant had high availability of 95.1% in 2017, broadly in line with previous years. The plant produces a zinc concentrate and a separate lead concentrate that contains silver. Both concentrates are high quality with very low levels of contaminants and are sought after in the region.

In 2017, 43,676 tonnes of concentrate containing 49.4% zinc and 40,757 tonnes of concentrate containing 73.3% lead were produced.



STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

REMOVE MOISTURE



Thickened and pressed to de-water

STORAGE



Saleable concentrate products stored in sheds awaiting loading

TRANSPORTED TO MARKET



Concentrate trucked to smelters in nearby Poland and Bulgaria

ZINC IN CONCENTRATE

21,585t

LEAD IN CONCENTRATE

29,881t

Production Statistics	Units	2017 CAML attributable	2017	2016
Ore mined	t	134,063	792,068	782,823
Plant feed	t	132,012	793,332	779,231
Lead grade	%	3.98	3.98	3.95
Zinc grade	%	3.21	3.18	3.41
Lead concentrate	t (dry)	6,784	40,757	39,507
- Recovery	%	94.2	94.6	94.1
- Grade	%	73.0	73.3	73.3
- Contained lead	t	4,951	29,881	28,955
Zinc concentrate	t (dry)	7,394	43,676	45,548
- Recovery	%	85.7	85.5	84.6
- Grade	%	49.0	49.4	49.4
- Contained zinc	t	3,625	21,585	22,515



2018 PRODUCTION GUIDANCE

The production target for Sasa in 2018 has been increased to a mining and processing rate of between 780,000 and 800,000 tonnes. This should result in metal output of between 21,000 and 23,000 tonnes of zinc and between 28,000 and 30,000 tonnes of lead.



MINE AND PROCESSING PLANT ACTIVITIES

During 2017, the main underground infrastructure to access the stoping block between the 910 and 830 levels was completed. Extraction of ore from this major future production area will commence in 2018 and will provide ore feed to the processing plant until 2022/23.

Decline access to the 750 level commenced in 2017. Development of the access to the 830-750 stoping block and associated mining infrastructure for ore production will continue during 2018 with extraction scheduled to commence in future years.

During 2017, the mining fleet at Sasa was upgraded with the addition of two new Atlas Copco machines - one S1D single boom jumbo and one ST7 Load Haul Dump ('LHD') unit.

In addition, a Sandvik LH203 loader and two Paus man cage charging and scaling units were purchased. This equipment was bought to upgrade the production fleet and improve employee safety.

TAILINGS

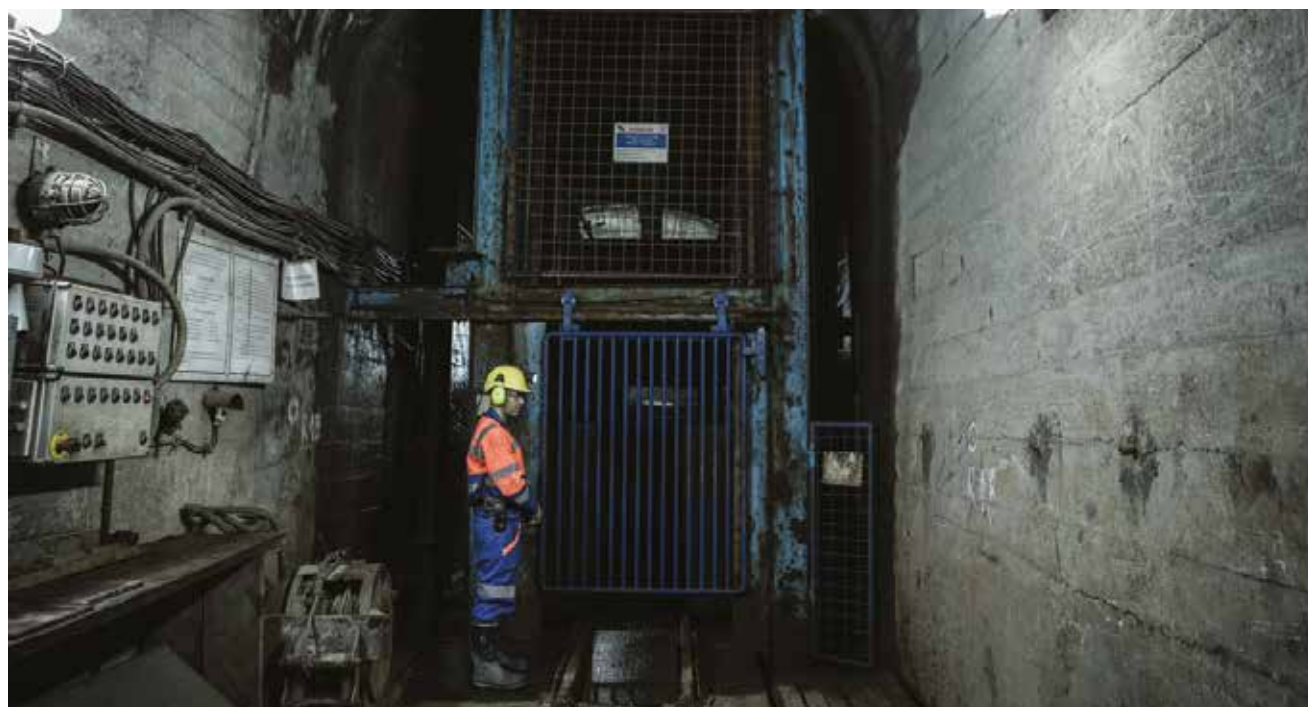
Currently, Sasa is utilising the existing Tailings Storage Facility 3.2 ('TSF 3.2'). Construction of TSF 4 commenced in Q2 2017, and this facility is designed to contain approximately 6.5 million tonnes of tailings generated from mining and processing activities between 2018 and 2026. At the end of 2017, construction activities were on schedule to achieve completion by H2 2018.

SASA JORC ORE RESERVES AND MINERAL RESOURCES*

	Mt	Grades			Contained		
		Pb (%)	Zn (%)	Ag (g/t)	Pb (kt)	Zn (kt)	Ag (koz)
Svinja Reka – Reserves							
Probable	10.9	3.9	3.1	18.4	421	337	6,447
Total	10.9	3.9	3.1	18.4	421	337	6,447
Svinja Reka – Resources							
Indicated**	13.3	4.6	3.7	22.0	611	490	9,403
Inferred	2.7	3.2	2.1	16.6	84	56	1,426
Total	16.0	4.3	3.4	21.1	695	546	10,829
Golema Reka – Resources							
Inferred	7.4	3.7	1.5	18.6	273	112	4,424
Total	7.4	3.7	1.5	18.6	273	112	4,424

* estimated in July 2017.

** Mineral Resources are reported inclusive of that material used to derive the Ore Reserves.



EXPLORING FURTHER OPPORTUNITIES

SHUAK STRATEGY IN ACTION



INITIAL DRILLING PROGRAMME

CAML's first exploration season at Shuak has yielded encouraging results from the drilling and geophysical surveys, which have enabled us to design the \$2.5 million 2018 exploration programme that is scheduled to commence in June.

CAML completed its 2017 due diligence and preliminary exploration programme in October 2017. In addition to the drilling and geophysics programmes, topographical surveys were undertaken, the environmental baseline study was established and social mapping was initiated.

The exploration programme targeted four areas within the 197km² licence area: Mongol I-II, Mongol V, Mongol North, and Severnoe / Kyzyl-Sor. These areas were identified due to historical exploration, historical small scale mining and CAML's geological interpretations based on satellite imagery, geophysics and field mapping. Our primary objective was to explore the area for near surface oxidised material that could potentially be processed in a SX-EW facility, like Kounrad.



EXPLORATION STATISTICS	2017
Diamond drilling, metres	5,242
CHT drilling, metres	17,530
Number of samples submitted to laboratory	12,786
Electromagnetic survey ('TEM-FAST'), line metres	118,825
Petrographic analysis, number sections	64

New areas of oxide mineralisation have been identified at the Kyzyl-Sor prospect with an estimated average thickness of 46 metres at an estimated average copper grade of 0.32% based on CHT drilling, although these estimates will not form part of any resource estimation.

In addition to the near-surface oxide mineralisation identified, diamond drilling also returned encouraging intercepts of copper sulphide mineralisation across all four main prospects, with gold and molybdenum also identified in some cases. Both massive and disseminated sulphides were observed in the diamond drill core.

Much of the winter period has and will be spent compiling assay data and designing the 2018 exploration programme, which is expected to commence in June. A key area of focus for 2018 will be delineating the extent of the oxide mineralisation identified at Kyzyl-Sor.

SHUAK DRILLING INTERCEPTS

SELECTED INTERCEPTS IN OXIDE MATERIAL

Prospect	Drill hole	From (m)	Intersection (m)	Cu (%)
Mongol V	MN1	3.0	47.0	0.29
Mongol V	MN2	0.5	49.2	0.24
Mongol V	MN5	0.4	18.6	0.24
Mongol V	MN14	6.0	24.7	0.28
Mongol V	MN15	0.6	20.1	0.23
Mongol North	MN9	4.9	13.1	0.15
Mongol North	MN13	14.6	33.4	0.26
Mongol I-II	MM2	0.2	13.9	0.39
Mongol I-II	MM2	25.8	15.9	0.36
Mongol I-II	MM4	0.5	58.3	0.44
Mongol I-II	MM9	21.3	54.7	0.22
Kyzyl-Sor	KS1	2.2	45.1	0.28
Kyzyl-Sor	KS2	31.1	10.5	0.22
Kyzyl-Sor	KS4	0.4	37.8	0.28
Kyzyl-Sor	KS6	5.0	59.0	0.13
Kyzyl-Sor	KS12	3.1	41.0	0.51
Kyzyl-Sor	KS13	5.5	50.8	0.26
Kyzyl-Sor	KS15	9.3	32.7	0.2

SELECTED INTERCEPTS IN SULPHIDE MATERIAL

Prospect	Drill hole	From (m)	Intersection (m)	Cu (%)
Mongol V	MN2	78.3	27.4	0.58
Mongol V	MN3	55.0	23.0	0.94
Mongol V	MN4	81.0	32.3	0.72
Mongol V	MN5	71.0	30.3	0.31
Mongol V	MN6	38.2	22.7	0.98
Mongol V	MN14	60.0	35.4	0.59
Mongol V	MN15	64.9	24.1	0.57
Mongol V	MN15	238.0	17.0	0.67
Mongol V	MN15	328.5	12.7	0.60
Mongol North	MN9	37.0	18.0	0.59
Mongol North	MN9	95.4	21.2	0.55
Mongol I-II	MM1	21.7	97.3	0.20
Mongol I-II	MM2	44.1	22.5	1.74
Mongol I-II	MM2	74.5	9.5	1.21

"We consider our first exploration season at Shuak a success as we completed our planned programmes and the results we achieved were encouraging. The 2017 programme allowed us to evaluate the licence area more fully and we are pleased to find areas of increasing interest at Kyzyl-Sor and Mongol V and I-II. We look forward to commencing our field based work again soon."

GAVIN FERRAR, BUSINESS DEVELOPMENT DIRECTOR



FINANCIAL REVIEW

DELIVERING
SHAREHOLDER VALUE

WE HAVE REPORTED A STRONG SET OF FINANCIAL RESULTS, WITH INCREASED REVENUE AND EBITDA COMPARED TO 2016 REFLECTING IN PART THE \$402.5 MILLION ACQUISITION OF LYNX RESOURCES DURING NOVEMBER 2017.



OUR 2017 ADJUSTED EBITDA MARGIN WAS 62% AND OUR KOUNRAD AND SASA PROJECTS CONTINUE TO PRODUCE BASE METALS AT COSTS ON AVERAGE WELL WITHIN THE LOWEST INDUSTRY COST QUARTILE

OVERVIEW

CAML has reported a strong set of financial results with the Group generating 2017 EBITDA of \$53.8 million (2016: \$39.9 million), representing an increase of 35% from the prior year and an adjusted EBITDA of \$66.4 million. Unadjusted EBITDA of \$53.8 million includes transaction costs of \$12.6 million associated with the acquisition of Lynx Resources Limited (see definition of adjusted EBITDA in note 5 to the financial statements).

CAML completed the acquisition of Lynx Resources Limited on 6 November 2017 and has assumed control of this entity from this date. The results of the Lynx Resources Group have been fully consolidated in the CAML financial statements for two months in the 2017 financial year (from 1 November 2017). The acquired business contributed gross revenue of \$20.0 million and EBITDA of \$14.5 million to the Group during this period. The Group had the benefit of the Lynx Group's trading from 1 October 2017 to 6 November 2017 and this is reflected in the cash acquired of \$8.5 million (see note 6 to the financial statements).

CAML achieved increased revenue and EBITDA at Kounrad compared to 2016 due to a combination of higher copper prices achieved and higher sales volumes. Sustained cost control has enabled the Kounrad project to continue producing copper at costs well within the lowest industry quartile.

ACQUISITION OF LYNX RESOURCES LIMITED

On 6 November 2017, CAML MK Limited, a wholly owned subsidiary of CAML, acquired 100% of the issued share capital of Lynx Resources Limited, a holding company for a group of companies that owns the Sasa mine. The acquisition expands and diversifies CAML's business with the addition of another cash generative asset with low production costs, a resource base supporting a long mine life and a proven operational track record.

	\$'000
Purchase consideration:	
Cash paid	340,178
Consideration shares issued	48,883
Deferred consideration	12,000
Total purchase consideration	401,061

In March 2018, a final determination was reached with regards to the purchase price, pursuant to the share purchase agreement and an amount of \$3.3 million was received from the sellers (Orion Co-Investments III and Fusion Capital) in April 2018 and has been deducted from the cash paid amount. This amount was recognised as a current receivable as at 31 December 2017.

The total fair value of the purchase consideration of \$401.1 million accounted for in accordance with International Financial Reporting

Standards ('IFRS'), as adopted by the EU, is lower than the headline transaction amount of \$402.5 million previously announced to the market. \$401.1 million includes the \$3.3 million received from the sellers in April 2018 and includes \$3.0 million interest paid from 1 October 2017 to completion (6 November 2017) at a rate of 9% of the equity value in accordance with the terms of the acquisition consideration interest. In addition, the fair value of the 15,278,528 Ordinary Shares issued as part of the consideration paid (\$48.9 million) was based on the published share price on 6 November 2017 of £2.44 per share translated at the USD/GBP spot exchange rate of 1.31124 compared to the contractual amount previously announced of \$50.0 million.

	\$'000
Headline consideration	402,500
Amount received from the sellers in April 2018	(3,300)
Consideration interest	2,978
Fair value accounting for consideration shares	(1,117)
Total purchase consideration (IFRS)	401,061

The cash consideration was partially funded by the placing of 49,150,000 shares to institutional investors at £2.30 per share (approximately \$150.0 million). The Company entered into a currency hedge arrangement in respect of the majority of the net proceeds of the placing in order to limit its total exposure to adverse currency movements. The gain on the hedge amounted to \$3.0 million. In addition to the proceeds of the placing, the cash consideration was financed by \$120.0 million in new debt facilities provided by metals trader, Traxys, and approximately \$67.0 million of existing Lynx Resources Group debt.

The Company will pay the sellers \$12.0 million of deferred consideration, payable in six equal monthly instalments commencing on the first anniversary of the acquisition.

Acquisition-related costs of \$12.6 million that were not directly attributable to the issue of shares and borrowing proceeds are included in other expense in profit or loss and in operating cash flows in the statement of cash flows.

INCOME STATEMENT

Group profit after tax from continuing operations increased by 35% to \$36.3 million (2016: \$26.9 million), primarily as a result of higher revenue. Earnings per share from continuing operations increased to 29.02 cents (2016: 24.26 cents).

REVENUE

The Group generated 2017 gross revenue of \$106.5 million (2016: \$69.3 million) consisting of Kounrad (full year) and Sasa (two months) gross revenue of \$86.5 million (2016: \$69.3 million) and \$20.0 million respectively. Gross revenue is reported after deductions of treatment charges but before deductions of off-takers fees, silver purchases from silver stream and freight. Net revenue post these deductions was \$83.9 million at Kounrad (2016: \$66.7 million) and \$18.7 million at Sasa.

KOUNRAD

A total of 14,001 tonnes (2016: 13,751 tonnes) of copper cathode were sold through the Company's off-take arrangements with Traxys and a further 180 tonnes (2016: 187 tonnes) were sold locally. Total sales at Kounrad were 14,181 tonnes (2016: 13,938 tonnes) representing a 2% increase in volumes.

While copper cathode sales volumes have increased when compared to 2016, Group revenue also benefitted from a 22% increase in the average copper price received, which was \$6,107 per tonne in 2017 (2016: \$4,994 per tonne). This generated gross

revenues for the Group of \$86.5 million (2016: \$69.3 million). CAML's off-take arrangement with Traxys has been fixed through to September 2022 and the commitment is for a minimum of 90% of the Kounrad copper cathode production. During 2017 the off-taker's fee was \$2.6 million (2016: \$2.6 million).

SASA

A total of 2,906 tonnes of payable zinc in concentrate and 4,559 tonnes of payable lead in concentrate were sold during the period 1 November 2017 to 31 December 2017.

The average zinc price received during this period was \$3,239 per tonne and the average lead price received during this period was \$2,401 per tonne. After the deduction of treatment charges, this generated gross revenues for the Group of \$20.0 million.

On 1 January 2018, the Lynx Resources Group entered into a zinc and lead concentrate off-take arrangement with Traxys, which has been fixed through to 31 December 2022. The commitment is for 100% of the Sasa output.

COST OF SALES

The Group reported 2017 cost of sales of \$31.4 million (2016: \$18.4 million), consisting of \$22.7 million of Kounrad related costs (2016: \$18.4 million) and \$8.7 million of Sasa related costs.

KOUNRAD

Cost of sales for the year was \$22.7 million (2016: \$18.4 million). The increase is due to higher sales volumes, higher depreciation charges following the completion of the Kounrad Stage 2 Expansion during early 2017 and higher mineral extraction tax ('MET') due to the increased copper price received. Production from the Western Dumps commenced in April 2017 and this resulted in slightly higher electricity consumption and additional labour costs. 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 a sustained increase in electricity consumption and additional labour to manage the Western Dumps operations.

Depreciation and amortisation charges recognised in cost of sales during the year were \$6.6 million (2016: \$5.0 million). MET for the year was \$5.0 million (2016: \$3.9 million) and is charged by the Kazakhstan authorities at the rate of 5.7% on the value of metal recovered during the year.

During the year, the Kazakhstan Tenge appreciated slightly against the US Dollar which also resulted in some increase in the cost base. The average exchange rate for the year was 326 KZT/USD (2016: 342 KZT/USD), resulting in the Kazakhstan Tenge being worth an average 5% more in US Dollar terms in 2017 compared to 2016. Approximately 60% of the total cost base in Kazakhstan is denominated in Tenge (70% of C1 cash costs).

SASA

Cost of sales for the period 1 November 2017 to 31 December 2017 were \$8.7 million. This includes depreciation and amortisation charges of \$4.1 million, labour costs of \$1.5 million and reagents and materials of \$2.0 million.

C1 CASH COST OF PRODUCTION

C1 cash cost of production is a standard metric used in the mining industry to allow comparison across the sector. In line with the Wood Mackenzie approach, CAML calculates C1 cash cost by including all direct costs of production at Kounrad and Sasa (realisation charges such as freight and treatment charges,

FINANCIAL REVIEW CONTINUED

reagents, power, production labour and materials) as well as local administrative expenses. Royalties and depreciation and amortisation charges are excluded from C1 cash cost and reported within the fully inclusive unit cost of production.

Kounrad's 2017 C1 cash cost of copper production remains firmly in the lowest quartile of the industry cost curve for copper production at \$0.52 per pound (2016: \$0.43 per pound). Production from the Western Dumps commenced in April 2017 and this resulted in slightly higher electricity consumption and additional labour costs. The average C1 cash cost of production since production commenced in 2012 is \$0.58 per pound.

Sasa's C1 cash cost of zinc equivalent production for the full year 2017 was \$0.44 per pound (2016: \$0.45 per pound) which was at the lower end of the second quartile of the zinc industry cost curve.

Following the acquisition of the Sasa mine, CAML reports its C1 cash cost on a copper equivalent basis incorporating the production costs at Sasa. CAML's full year 2017 C1 copper equivalent cash cost was \$0.76 per pound. This number is calculated based on Sasa's 12 month 2017 zinc and lead production which equates to 21,161 copper equivalent tonnes (based upon 2017 average commodity price achieved) added to Kounrad's 2017 copper production of 14,103 tonnes.

The Group's fully inclusive copper equivalent unit cost for the year was \$1.43 per pound (2016: \$1.06 per pound excluding Sasa). This includes depreciation and amortisation charges, royalties, finance costs and corporate overheads associated with the Kounrad and Sasa projects.

ADMINISTRATIVE EXPENSES

During 2017, administrative expenses were \$15.3 million (2016: \$13.3 million). The Group recognised a share based payment charge of \$2.8 million (2016: \$3.0 million) in relation to the Company's share option schemes.

BALANCE SHEET

The provisional net assets recognised as a result of the Lynx Resources acquisition were \$312.5 million, in addition to provisional goodwill of \$21.6 million (see note 6 of the financial statements).

During the year, there were additions to property, plant and equipment of \$4.1 million (2016: \$12.3 million). The additions were a combination of Sasa and Kounrad sustaining capital expenditure as well as costs incurred to finalise the commissioning of the Kounrad Stage 2 Expansion at the Western Dumps. Kounrad capital expenditure is significantly reduced from the prior year due to finalisation of the Stage 2 Expansion in early 2017. This expansion was completed 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.

During the year, there were additions to intangible assets of \$2.0 million (2016: \$1.6 million) including \$2.0 million (2016: \$1.6 million) capitalised in relation to exploration and evaluation costs incurred on the Copper Bay project, which was subsequently classified as held for sale, and the Shuak exploration project. As at 31 December 2017, current trade and other receivables were \$13.7 million (31 December 2016: \$0.9 million) and non-current trade and other receivables were \$2.5 million (31 December 2016: \$2.7 million). Current trade and other

receivables as at 31 December 2017, includes trade receivables from customers of \$6.3 million and \$3.3 million received from the sellers of Lynx Resources Limited in April 2018 as explained on page 28.

As explained in note 23 of the financial statements, as at 31 December 2017, a total of \$2.7 million (2016: \$2.9 million) of VAT receivable was still owed to the Group by the Kazakhstan authorities. In 2017, the Kazakhstan authorities refunded \$0.8 million and a further amount of \$0.2 million was refunded from the authorities in January 2018 and has been classified as current trade and other receivables as at 31 December 2017. 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 offset VAT liabilities and by a continued dialogue with the authorities.

As at 31 December 2017, current trade and other payables were \$22.4 million (31 December 2016: \$6.0 million). During 2017, instalments of \$12.3 million were paid towards the Group's 2017 corporate income tax liability and at 31 December 2017, approximately \$6.0 million remained outstanding.

On 31 December 2017, the Group had cash of \$45.8 million (31 December 2016: \$40.4 million) including restricted cash of \$2.8 million (31 December 2016: \$0.1 million).

DEBT FINANCING

As at 31 December 2017, non-current and current borrowings were \$141.8 million and \$40.1 million respectively.

The cash consideration payable for the acquisition of Lynx Resources was partly financed by \$120.0 million in new secured debt facilities provided by Traxys.

The debt financing agreement forms part of a pre-payment arrangement between the Group and Traxys under which Traxys is advancing funds in expectation of acquiring production from the Group's Kounrad operations.

The debt financing agreement has a term of five years, with monthly repayments of \$2.0 million. Cash sweeps are required equal to 33% of Kounrad free cashflow less \$1.0 million per quarter. Interest is payable at LIBOR plus 4.75%. Security is provided over the shares in CAML Kazakhstan BV, certain bank accounts and the Traxys Kounrad off-take agreement. The agreement contains typical covenants for this type of facility, including financial covenants related to financial performance of the Company's Kounrad operations.

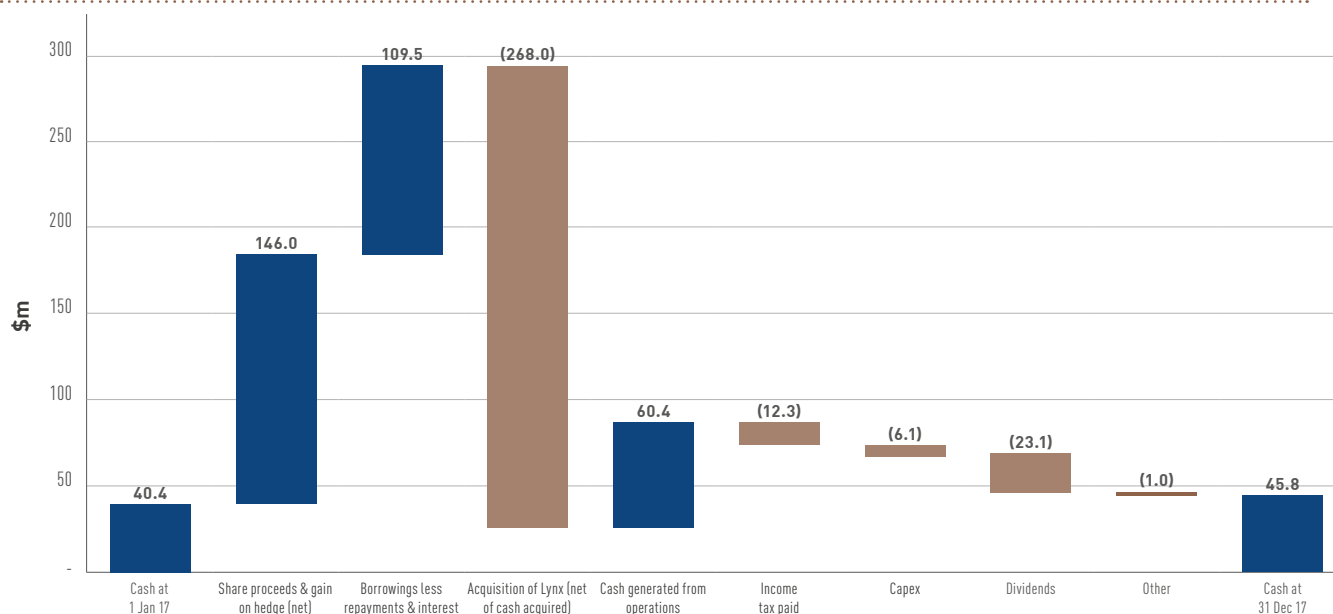
Borrowings also represent the long-term loan of \$75.0 million from Societe Generale and Investec (the Senior Facility) obtained in October 2016 with an interest rate of 3 month LIBOR plus 5%, maturing on 30 September 2023. In addition, the Group had short-term bank borrowings from Ohridska Banka and more details are included in the notes of the financial statements.

DISCONTINUED OPERATIONS

COPPER BAY

The assets and liabilities of the Copper Bay entities have been presented as held for sale in the consolidated balance sheet following the decision of the CAML Board in August 2017 to sell the project. The financial results of the Copper Bay entities for the year ended 31 December 2017 and the comparative period ended 31 December 2016 are shown within discontinued operations in the consolidated income statement.

CASH FLOW



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 has taken the decision to exit its position in Zuumod UUL LLC and this process was completed in April 2018. The Group continues to hold for sale these assets in this financial year, although they were fully written off in prior years.

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 \$60.4 million (2016: \$44.7 million) and during the year \$23.1 million was returned to shareholders as dividends (2016: \$20.4 million)

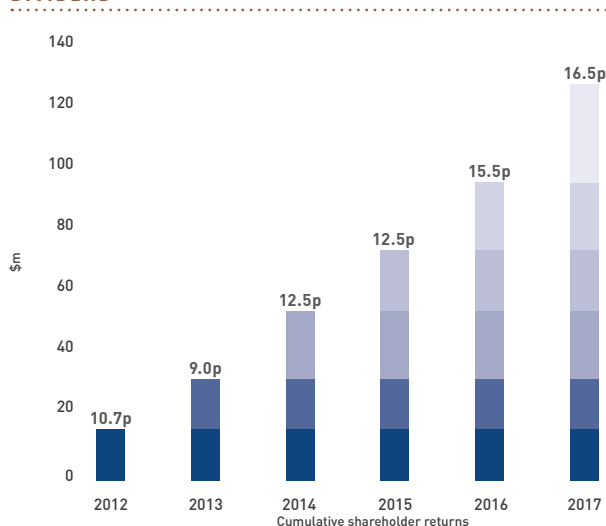
The outflow of cash to acquire Lynx Resources Limited net of cash acquired was \$268.0 million. During 2017, proceeds from the issue of shares net of transaction costs amounted to \$142.9 million. Cash received from the drawdown of new debt financing was \$120.0 million and during the year \$8.4 million of Group debt was repaid.

\$12.3 million of corporate income tax was paid during 2017 (2016: \$9.2 million) towards the 2017 Kazakhstan corporate income tax liability.

DIVIDEND

For the year ended 31 December 2017, the Company's dividend policy was to return a minimum of 20% of the attributable revenues generated from the Kounrad project to shareholders subject to maintaining three times cash cover. The final dividend for the year ended 31 December 2016 of 10 pence per Ordinary Share was paid to Shareholders on 7 June 2017. On 22 September 2017 the Company announced an interim dividend for the period from 1 January 2017 to 30 June 2017 of 6.5 pence per Ordinary Share and was paid to shareholders on 27 October 2017.

DIVIDEND



In conjunction with CAML's 2017 annual results, the Board proposes a final 2017 dividend of 10 pence per Ordinary Share, bringing total dividends declared for the year to 16.5 pence (2016: 15.5 pence). These dividends equate to approximately 39% of the Kounrad gross revenue for the year and will be payable on 25 May 2018 to shareholders registered on 27 April 2018.

This latest dividend will increase the amount returned to shareholders in dividends and share buy-backs since the 2010 IPO listing to \$129.0 million.

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

NIGEL ROBINSON
Chief Financial Office

CORPORATE SOCIAL RESPONSIBILITY

MAINTAINING OUR FOCUS ON CSR

WE TAKE OUR CORPORATE SOCIAL RESPONSIBILITY ('CSR') VERY SERIOUSLY AT KOUNRAD AND WERE PLEASED TO DISCOVER THAT OUR NEW SASA MINE SHARES THE SAME ETHOS IN TERMS OF LOOKING AFTER ITS STAKEHOLDERS AND THE ENVIRONMENT IN WHICH IT OPERATES

KOUNRAD

HEALTH AND SAFETY

We are pleased that, during 2017, neither our Kounrad Copper Company ('KCC') nor Sary Kazna ('SK') subsidiary companies at Kounrad reported any LTIs. LTI free hours on site have now reached 2,035,551, equating to over 900 days since the last LTI on 4 July 2015. In addition, no traumas or micro-traumas were reported on site.

The cumulative LTI frequency rate is now less than 1 (indicating less than 1 LTI per million man-hours worked) which is a major achievement and a positive reflection on both the site management and the CSR team who oversee this aspect of our activity.

There are three full time safety engineers on site at Kounrad, and this team undertook 96 internal health and safety inspections throughout the year, and continues to regularly review and make improvements to the health and safety systems and processes in place. There are two medical clinics each with an ambulance staffed by eight paramedics providing 24 hour per day cover.

There is an ongoing programme of health and safety training undertaken for employees throughout the year on a whole range of job related, emergency response and first aid training.

The management team on site incentivises the workers by offering a \$250 prize quarterly for the best health and safety improvement suggestion and in 2017 a total of 96 suggestions were put forward by the workforce. All suggestions are assessed and the management team then initiates an action plan to address all suggestions.

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	-	-
2017	589,509	-	-
Total	3,250,482	3	0.92



Annual medical examinations were undertaken for all employees and importantly no work or industrial related medical conditions were identified in the workforce.

All of the above measures ensure that a strong health and safety culture prevails at Kounrad.

ENVIRONMENT

During 2017, one of the three environmental engineers on site was promoted to a Senior Engineer. This team ensure that Kounrad meets all of its environmental obligations both from a Kazakh regulatory perspective and in accordance with international best practice standards. The environmental engineering team is fully integrated into all site activities and has developed and implemented a comprehensive environmental management system. During the year, the team undertook 161 internal environmental inspections on site.

The team of hydrogeologists on site, comprising a senior hydrogeologist, technicians, samplers and other team members are responsible for controlling and monitoring the groundwater. In 2017, CAML invested in MonitorPro database software. This will enhance the hydrogeological team's ability to collate, analyse, securely store and access remotely its groundwater and environmental monitoring data.

In 2017, 36 boreholes were drilled around the Western Dumps, with the main focus areas being close to Dump 13 and Dump 20. This brings the total number of boreholes drilled since 2013 around the Western Dumps to 171.

Ahead of leaching operations commencing at the Western Dumps, CAML undertook environmental risk assessments with international consultants, SRK, to ensure all risks were considered. The initial leaching area ('ILA') was deemed by SRK Consulting to be of low risk and low impact in its 2016 report. Work has continued in this regard on the wider Western Dumps areas, and SRK will provide another report with its conclusions in H1 2018.

In 2017, the procedures for borehole pumping were revised and optimised. The Company purchased new pumping equipment that will improve efficiencies and quality control. These were Grundfos submersible pumps that were purchased for the Eastern Dump boreholes, and Waterra Power Pump-2 pumps that were delivered from Canada for the Western Dump boreholes.

In addition to the pumps a range of other supplementary monitoring equipment was purchased including:

- Water level sensors
- Barometric Pressure Sensor
- Electronic tape-measures
- Samplers
- Generators

GROUNDWATER MONITORING BOREHOLES DRILLED IN 2017

36

During 2017, the following notable engagements were held by members of the Kounrad team	
Company representatives regularly meet with the Akim (mayor) of Balkhash	2017
Public hearings were conducted to explain to the local community the procedures for drilling monitoring boreholes close to the Western Dumps	February
General Director, Pavel Semenchenko took part in the local Akim's forum on developing the geological sector	March
Kounrad team held a celebratory dinner with employees to mark the 5th anniversary of copper production from Kounrad	April
CSR Director Nick Shirley was invited to and attended a local school to watch the children perform Romeo and Juliet in English	May
Kounrad HR manager made awards to children from the Ulken Zhurek center	June
Meetings were convened with the local Akim regarding CAML's proposed charitable foundation	November
Deputies of regional Karaganda Maslikhat visited Kounrad as part of a wider environmental audit	November



CSR CONTINUED



SOCIAL AND COMMUNITY

As well as its statutory donations, the Company continues to donate to worthy causes in the local community, providing help to a number of the schools including those with special needs/disabilities and the orphanages in Balkhash. The Company also supported sporting events and youth organisations such as the sailing and parachute clubs, and continued its support for the veterans of the Great Patriotic War (World War Two) in terms of food baskets, flowers and funeral costs for a particular veteran.

CAML bought music equipment for a local school, funded entertainment events in the Mickey Mouse Center for Disadvantaged Children, as well as funding awards and medals for children excelling in football and karate activities. School uniform and footwear were also purchased for over 30 disadvantaged children in Kounrad and Balkhash.

Throughout 2017, the Kounrad CSR team has been focused on setting up a foundation, which will formalise charitable donations and enable the team to effectively allocate resources to help the many needy local causes. This foundation was established in July 2017 and will be in operation from 2018 onwards.

SASA

HEALTH AND SAFETY

There were no lost time injuries at Sasa during 2017 and 1.8 million LTI free man hours have now been worked on the mine.

Sasa's health and safety function is well established. The mine has four full time safety engineers on site who cover both surface and underground activities. There is also an on-site medical clinic that is staffed 24 hours per day and has an ambulance. The emergency response and rescue team, comprised of employees from site, undertake regular drills to ensure all employees understand the emergency procedures.

The Sasa team has identified several key initiatives for 2018, that should ensure high health and safety standards remain on site. These include adaptation of contractor management to the Sasa safety system, reviewing detailed emergency plans, installing and training employees regarding new rescue equipment including self-rescuers and updating the automatic underground fire suppression system. The team will of course continue to ensure that the safety initiatives and a safe culture are embedded at site.

ENVIRONMENT

Importantly, there were no environmental incidents reported at Sasa in 2017. During the year, the environmental team was expanded to a total of four employees – one manager, one environmental engineer and two technicians.

The environmental team work to ensure that Sasa strictly conforms with its environmental obligations both locally within MAC standards and also to international standards, and undertake at least two internal inspections weekly. The site has a comprehensive environmental management system in place, and was in February 2017 issued with its certificate relating to its transition to ISO 14001:2015 standards.

Sasa commenced a new biodiversity study in October 2017, which should be completed in November 2018. In conjunction with Shtip University, a 12 month hydrogeological study also commenced in May 2017, assessing sources of river flows, coupled with analysis of water quantity and quality. Continuous air quality monitoring processes have been established on site since September 2017, with monitoring stations placed within the mine boundary as well as the adjacent communities.

COMMUNITY

It is clear to the CAML team already that Sasa is very involved in the local community, and helps the local area wherever possible and appropriate. During 2017, Sasa gave donations, sponsorships and financial aid in the local community.

Donations and sponsorships were related primarily to sporting equipment and teams, and also to sanitation facilities in the local town. Financial aid was given primarily to individuals with medical need.

Sasa has awarded scholarships to four mining students and aided the Association of Mining and Geological Engineers. In addition, Sasa funded and organised, as usual, the Miner's day celebrations in local town Makedonska Kamenica on 28 August. This day has marked the re-opening of the mine for some years and is a public holiday in the local town. International Day of Persons with Disabilities is a UN promoted international day on 3 December that has prominence in Macedonia, and Sasa also helped with celebrations on that day too.

There were many Christmas and New Year celebrations that Sasa funded. Examples of these are: Christmas decorations at the mine and local schools and small New Year gifts for small children, disabled people, police, firefighters and medical workers on shift on New Year's Eve, and for Sasa employees.



DEVELOPING COMMUNITY RELATIONS

CSR CASE STUDY



ENHANCING SPORTING FACILITIES IN OUR AREAS OF OPERATION

During summer 2017, the Kounrad team financed and helped to develop local recreational areas as part of an overall regeneration of central Balkhash. At a cost of \$80,000, CAML funded the development of a multi-purpose sports pitch, two outdoor gym areas and two playgrounds for younger children.

In Macedonia, the Sasa mine was once again the main sponsor for the local men's and women's football teams – FC Kamenica Sasa. The mine also sponsors the local baseball club and is the main sponsor of Boshko Stamenkovski, current powerlifting world champion and world record holder in his weight division. Sasa has also donated sports equipment to the football and baseball clubs and helped with transportation costs. In total in 2017, \$120,000 was spent in support of local sporting activities.

KOUNRAD SPORTS AREA

\$80,000

SASA SPORTING ACTIVITIES

\$120,000





“When we took ownership of Sasa, we were delighted to find that the mine had a similar ethos to Kounrad, whereby we help to improve the lives of those in the local community. We look forward to continuing to further our understanding of the needs of the local community and where we might be able to assist at Sasa in the future.”

NICK SHIRLEY, CSR DIRECTOR



ENHANCING OUR LANDSCAPE

CSR CASE STUDY



REHABILITATING OUR OPERATING ENVIRONMENT

In December 2017, the Sasa team planted 2,000 seedlings of Acacia trees in a 0.6 hectare area of tailings storage facility 1 ('TSF 1').

Since 2009, 14,000 acacia trees have been planted on about seven hectares of Sasa land covering parts of TSF 3 and TSF 1, with a 97% success rate. Acacia trees have been chosen as they are deemed to be the most resistant and adaptable for the local conditions.

Planting trees on tailings storage facilities has the benefit of remediating these degraded areas, making them more attractive. The trees have also stopped soil movement, improved air quality and encouraged local biodiversity.

SINCE 2009

7 HECTARES
PLANTED WITH TREES

DECEMBER 2017

2,000
ACACIA TREES PLANTED





“We take our environmental responsibilities seriously at both Kounrad and Sasa. While our two operations bring different challenges in terms of environmental need, our ethos is the same at both sites in that we aim to ensure that the land on which we operate is properly looked after.”

NICK SHIRLEY, CSR DIRECTOR



PRINCIPAL RISKS AND UNCERTAINTIES

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		
<p>Leaching operations The nature of in-situ leaching at Kounrad means that there are varying grades and flows of copper bearing solution from the dumps.</p> <p>Should the flow and/or grade drop, this could lead to a reduction in copper cathode produced.</p> <p>During 2017, leaching commenced on the Western Dumps where the Company did not previously have operational experience.</p> <p>An interruption to the project's water supply could have an adverse impact on leaching operations.</p>	▲	<p>CAML has conducted extensive testing on the grades and expected recovery of the copper bearing solution from the Kounrad dumps.</p> <p>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.</p> <p>A second water source for leaching operations has been constructed from Lake Balkhash to ensure water availability.</p>
<p>Mining operations The acquisition of the Sasa mine has presented the Company with new challenges associated with mining and mineral processing.</p> <p>The nature of these operations involves a number of risks and hazards which may result in a personal injury and have an impact on mining production.</p>	▲	<p>Sasa has been operating successfully for many years. Management is focused on maximising productivity, whilst adhering to strict health and safety and environmental standards.</p> <p>CAML has commissioned external technical reports from consultants regarding the Sasa operation, plus is undertaking detailed integration processes. The Group CSR Director is currently predominantly based at Sasa.</p>
<p>Processing operations The SX-EW operations at Kounrad and the processing plant at Sasa rely on a number of critical supplies, particularly reagents and electricity, and the loss of any one may have a significant adverse impact on production.</p>	▬	<p>Across the Group, CAML reviews its supply chains and critical spares to ensure minimal impact on operations.</p> <p>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. Sasa also has generator capability to protect the processing plant.</p>
<p>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.</p>	▬	<p>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.</p> <p>Improvements to fire detection and control have been made at a number of sites across the Kounrad facility.</p>
SAFETY, SOCIAL AND ENVIRONMENTAL		
<p>Health and safety of employees Due to the operations of the Company, which are carried out under potentially hazardous conditions, there exists the possibility of accidents and fatalities.</p> <p>The occurrence of any such accidents could delay production and/or result in material liability to the Company.</p>	▲	<p>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 pages 32-35.</p>
<p>Social The Company relies upon its local communities for its workforce. If the community is unhappy, it may have an adverse impact on operations</p>	▬	<p>The Company places a strong emphasis on engagement with the local community. Further details on our approach are contained on pages 32-35.</p>

NATURE AND IMPACT OF RISK	MOVEMENT IN RISK	HOW WE MANAGE THE RISK
SAFETY, SOCIAL AND ENVIRONMENTAL		
<p>Environment – leaching The in-situ leaching operations at Kounrad must be carefully managed to ensure that the environment is not adversely impacted by the Company's copper production.</p> <p>When the operations moved to the Western Dumps in 2017 the area under leach increased, and the corresponding environmental risk was increased.</p>	▲	The Company places a strong emphasis on protecting the environment. Further details on our approach are contained on page 33
<p>Environment – tailings facility The Company is currently constructing a new tailings storage facility at Sasa which is expected to be completed in 2018. As part of this work, an extension to the Kamenica river diversion is required.</p> <p>It is important that both projects are undertaken with care so as to mitigate any environmental damage and prevent delays in production.</p>	▲	The Company places a strong emphasis on protecting the environment. Further details on our approach are contained on page 38.
CORPORATE		
<p>Political and country CAML's assets are located in Kazakhstan and Macedonia. This means that the Company could be susceptible to adverse changes in the political or business environment of these countries.</p> <p>Numerous authorisations are required to operate and expand operations.</p>	▬	<p>The acquisition of the Sasa mine in Macedonia has spread exposure to country and political risk.</p> <p>CAML has the appropriate authorisations to extract metal in both countries.</p> <p>CAML keeps in regular contact with authorities in the process of obtaining the required permits to construct and expand.</p> <p>CAML has successfully operated in Kazakhstan for over 10 years and maintains an extensive network of business contacts.</p>
<p>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.</p> <p>Any changes to the senior management may have a material impact on the success of the business.</p>	▬	The Company sets high standards for the recruitment of its staff in the UK, Macedonia 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.
FINANCIAL*		
<p>Foreign exchange CAML operates in foreign jurisdictions with associated currency risk.</p>	▬	CAML manages its exposure to foreign currency exchange risk associated with material commercial transactions and working capital requirements by maintaining only limited funds in currencies other than US Dollars.
<p>Commodity pricing The Company's operations are dependent upon the market price of copper, zinc and lead. Metal prices fluctuate widely and are affected by numerous factors beyond the control of the Company.</p> <p>A significant or sustained downturn in copper, zinc and lead prices would adversely affect the Company's available cash and liquidity which could have a material impact on our business.</p>	▬	The Company's policy is not to hedge its exposure to commodity prices. The Board will review this policy as and when appropriate.
<p>Taxation The taxation regulations in Kazakhstan and Macedonia are constantly developing.</p> <p>Tax compliance is subject to different and changing interpretations, as well as review and investigation by the authorities who may impose penalties and interest charges.</p> <p>In addition, both Kazakhstan and Macedonia's tax systems do not recognise the concept of tax authorities giving legally binding rulings on tax issues that are put before them.</p>	▬	<p>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.</p> <p>CAML also receives tax advice on local issues from its tax advisers in Kazakhstan and Macedonia.</p>

* 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 41 was approved by the Board of Directors on 12 April 2018 and was signed on its behalf by



NIGEL ROBINSON
Chief Financial Officer
12 April 2018

INTRODUCTION TO CORPORATE GOVERNANCE

MAINTAINING HIGH STANDARDS IN
CORPORATE GOVERNANCE

THE GROUP RECOGNISES, AND IS COMMITTED TO, HIGH STANDARDS OF CORPORATE GOVERNANCE. THIS ETHOS REMAINS A FUNDAMENTAL ELEMENT OF OUR AIM TO MAXIMISE SHAREHOLDER VALUE OVER THE LONG TERM



NIGEL HURST-BROWN
DEPUTY CHAIRMAN

The past year for CAML and our Board has been focused on further development and evolution. Whilst we already have a robust Board with high calibre Directors bringing value as well as oversight to our business, we think it important to continually develop and enhance our activities as a Board as well as in the Group more generally.

In light of this we are continuing to be proactive in the process of succession planning for the future while retaining the talent we have at present. We consider such planning as a vital part of the Board's role in the ongoing plans for growth and innovation for the Group.

Continuity at Board level is important to enable us to retain the invaluable input of every Director over time, both at Executive level and from the oversight provided by our Non-Executive Directors. As mentioned in Nick's statement on pages 4-7, we are implementing some changes to our senior management team and at Board level. As of 16 April 2018, Nigel Robinson will be appointed as Chief Executive Officer and Gavin Ferrar as Chief Financial Officer as well as his existing role as Business Development Director.

The Board has also continued with its pledge to achieve and maintain high standards in corporate governance. We place great importance on ensuring that there is a strong foundation of governance in place, setting the standard for building success in the business and creating long-term value for our shareholders and other stakeholders.

As an AIM quoted company, although we are not obliged to comply with the UK Corporate Governance Code (the 'Code'), the Company draws on its provisions in guiding and developing our governance framework and adheres to a number of its key provisions including:

1. A strong independent representation on the Board with four independent Non-Executive Directors, including myself.
2. An Audit Committee consisting of three independent Non-Executive Directors, myself included and led by David Swan as its Chairman.
3. A Remuneration Committee led by Robert Cathery comprised solely of independent Non-Executive Directors, of which I am also a member.

Although not a Code requirement, we also have a Corporate Social Responsibility Committee, chaired by Roger Davey, comprising both Executive and Non-Executive Directors. We see this as another fundamental area of governance, particularly due to our international operations in developing countries.

Each of these committees reports to the Board and provides great value to its effectiveness. The Board itself comprises a diverse group of Directors from the UK and Kazakhstan, most of whom have wide geographical expertise while having worked internationally in different parts of the world. They also have extensive business and financial experience in the markets and industry in which the Group operates. This ensures that each member of the Board has sufficient knowledge and experience to participate fully in its decision making collectively in the best interests of shareholders and other stakeholders.

The Board has considered the independence of each Director, including assessment of their character, judgement and business and any 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 also reviewed. As such, after full consideration the Board continues to consider Robert Cathery, Roger Davey, David Swan and myself to be independent Directors. The Board believes this to provide an excellent balance of views as well as skills and a depth of experience within the Board for the future.

During the year, the Group acquired Lynx Resources Limited, the owner of the Sasa zinc-lead mine in Macedonia. The acquisition was primarily financed by debt and by the issuance of new shares. The acquisition, debt financing and placing of new shares were reviewed and discussed in detail by the Board, with input from Management and specialist advisors. Through to the point of Completion the Board met a number of times to discuss and make decisions on various aspects of the transaction. We are delighted that the transaction completed in a timely manner and that the integration process of Lynx Resources is well underway.

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

NIGEL HURST-BROWN

Deputy Chairman
12 April 2018

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 of London, he was a Director of Vickers da Costa and Schroders Securities and Head of Corporate Sales at SG Securities (London) Limited. He is a co-founder of Salamander Energy and has previously served as a Non- Executive Director of that company. He has also served as Non-Executive Director of SOCO International. 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, 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 Oriol Resources plc until its acquisition by OAO Mechel for \$1.5 billion in 2008. In addition, Nick was managing director at Wardell Armstrong International Ltd, where he managed numerous multidisciplinary consulting projects in the resource sector. He is a graduate of Camborne School of Mines and a Chartered Engineer. Nick is also a non-executive director of Wolf Minerals Ltd. In 2013, Nick was named CEO of the year at the Mining Journal outstanding achievements awards. He joined the Company in 2009 as Chief Executive Officer prior to the Company's IPO in 2010, and assumed the role of Chairman in June 2016.

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. Effective 16 April 2018, Gavin will also assume the role of Chief Financial Officer.



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 Chief Business Development and Investment Officer, Member of the Executive Board of JSC Kazatomprom and a Non-Executive Director of SPK Astana, a Kazakh regional development institution. He has previously held a number of positions in 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. He joined CAML in November 2007 as Group Financial Controller. In April 2009, he was appointed Chief Financial Officer of the Group and, since then, he has been instrumental in growing the business. Effective 16 April 2018, Nigel will assume the role of Chief Executive Officer.

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. He has extensive experience across the natural resources sector. He also has wide experience geographically in Europe, Asia and Africa and on international as well as UK stock exchanges. He also serves as Chief Financial Officer of Scotgold Resources Limited, and as a non-executive director of Sunrise Resources Plc and Oriol 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 SAT & Company JSC, a diversified industrial holding company and 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 critical to leading the Group to maximise success in its business, and to the Company in delivering long-term value to shareholders and other stakeholders.

We have a diverse Board, constituted as follows:

- Three Executive Directors: Nick Clarke, Nigel Robinson and Gavin Ferrar.
- Six Non-Executive Directors:
 - Four are considered fully independent: Myself, Robert Cathery, David Swan and Roger Davey.
 - Two are based in Kazakhstan: Nurlan Zhakupov and Kenges Rakishev. Nurlan Zhakupov has received share awards from the Company. Although he is therefore not considered fully independent, he is free of other matters which could be expected to affect his independence. Kenges Rakishev was, until February 2018, a major shareholder in the Company therefore is not considered fully independent.

Our Board offers a wealth of 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 where appropriate, at one of our overseas locations. In March 2018, we held our Board meeting in Macedonia. 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 ensure matters can be given due consideration. There is an open and direct forum for discussion to debate on an informed basis during the meetings and decisions reached are done so by the Board collectively in alignment with the core values of the Company.

Whilst most engagement with the Company's institutional investors is through the Executive Directors, the other Board members receive reports of views expressed by shareholders, and the other Directors are available to meet with investors where requested. The Company recognises that this ongoing dialogue and opportunity for feedback from our shareholders and other stakeholders plays an important part in ensuring our long-term success.

All Directors on the Board have access to the Company Secretary who acts as secretary to the Board and its Committees, reporting directly to their Chairmen in ensuring appropriate governance procedures are followed.

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

RELATIONSHIP AGREEMENT

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

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

This Agreement terminated with effect from 12 October 2017 upon Kenges Rakishev's interests in the Company falling below 14 per cent. of the Company's Issued Share Capital (excluding treasury shares), which is the threshold for automatic termination set out in the Agreement.

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;
 - financial performance.
- Continued to review risk management in the Group noting the ongoing process of continuing improvement.
- Approved the annual budget for the year, regularly monitoring performance against this, reviewing variances, the reasons for these and monitoring consensus in line with any adjustments.
- Reviewed and considered strategy and Business Development opportunities including the decision to acquire Lynx Resources and recommendations in relation to Copper Bay.
- Reviewed and approved the Group's charitable donations and confirmed the Board's support of the establishment of a foundation for social and charitable causes in Kazakhstan.
- Considered the Group's current insurance arrangements.
- Reviewed the possibility of re-commencing the Group's share buy-back programme.
- Reviewed, considered and agreed to change the Group's external PR advisors and tender process completed for this.
- 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 and approved the Company's Notice of Annual General Meeting.
- Reviewed CSR matters with the assistance of the CSR Committee including reports on health and safety and environmental matters at each main Board meeting.
- Proposed the reappointment of Directors at the 2017 AGM.
- Monitored performance of actions agreed at previous meetings.
- Reviewed the Group's hedging policy.

ACQUISITION OF LYNX RESOURCES

In addition to the main meetings of the Board during the year, the Board also held six meetings in connection with the acquisition of Lynx Resources Limited. During these meetings, the Board:

- Reviewed and considered reports on the projects principal work streams, which included:
 - valuation analyses and project timetables prepared by JP Morgan Cazenove and Peel Hunt;
 - reports on financial and tax due diligence including the Working Capital Statement, Financial Position and Prospects procedures, financial information on Lynx, Long Form Report and Pro-forma financial information prepared by PwC;
 - legal due diligence updates, and draft AIM admission document and SPA prepared by Jones Day; and
 - Competent Person's Report prepared by SRK consulting for Lynx Resources and by Wardell Armstrong for the Company.
- PwC's independence in relation to the acquisition was also reviewed, to ensure there were no areas of conflict.
- Considered post-acquisition integration plans.

CONCLUSION

Oversight of the integration of Lynx with the rest of the Group is a current priority of the Board.

Nonetheless, our monitoring of the operation and plans of each of the Group's assets continues. We look forward to reporting to you on these and other matters in our report next year.

NIGEL HURST-BROWN

Deputy Chairman
12 April 2018

AUDIT COMMITTEE

THE ROLE OF OUR AUDIT COMMITTEE

The Audit Committee assists 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, recommend the selection of external auditors and ensure their independence and objectivity;
- to review with the external auditor the nature, scope and results of their audit of the annual financial statements and their review of half year results;
- to review the effectiveness of the Company's systems of internal controls;
- to monitor the accounting procedures and financial reporting of the Group; and
- to monitor the effectiveness of risk management of the Group.

We consider these roles to be key to the long term sustainability of the Group, achievement of its ongoing success and to the continuing to generate and preserve value for our shareholders and other stakeholders over the long term.

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

SYSTEMS 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 executive members of the Board are responsible for overseeing the day-to-day management of the Company which is undertaken by the Chairman and other executive Directors.
- Budgeting – there is an annual budgeting process whereby budgets for the following financial year are reviewed by the Audit Committee and recommended to the full Board.
- The Audit Committee ensures that 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 formerly reported to the Board on a quarterly basis.
- 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. The Risk Committee consists of senior staff and is 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 the Risk Committee 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.

ACQUISITION OF LYNX RESOURCES LIMITED

As part of its role and responsibilities, the Audit Committee considered key risks of the acquisition of Lynx Resources, as being the accounting for the acquisition itself, and the alignment of the Lynx Resources Group with the Group's accounting policies and the implementation of the Group's internal control framework.

In connection with the acquisition, the Audit Committee undertook a review of the Group's Financial Position and Prospects Procedures ('FPPP') report with emphasis on its plan to integrate the CAML accounting and operational policies and procedures. The Audit Committee has monitored and will continue to monitor the integration plan.

Specific to the acquisition of Lynx Resources, the Audit Committee prepared a report to the Board of its review and recommendations for each of the following:

- a. the Historical Financial Information of Lynx Resources for the years ended 31 December 2014, 31 December 2015, 31 December 2016 and the six months ended 30 June 2017;
- b. the Financial Position and Prospects Procedures ('FPPP') report;
- c. the Working Capital Report; and
- d. the Long Form Report.

SIGNIFICANT ISSUES CONSIDERED BY THE COMMITTEE IN RELATION TO THE FINANCIAL STATEMENTS

- Review of carrying values of cash-generating units:
 - The Committee assessed management's determination of cash-generating units and review of impairment triggers as at 31 December 2017. The Committee considered the key judgements made by management in relation to discount rates, forecasted commodity prices, operating and capital expenditure and the mineral reserves and resources estimates. The Committee reviewed disclosures related to impairment assessments in note 20 of the financial statements.
- Accounting for the acquisition of Lynx Resources Limited:
 - Given the material nature of the acquisition, the Committee reviewed the accounting treatment of the business combination and management's judgement in calculating fair value adjustments. The Committee reviewed disclosures related to the acquisition in the financial statements.

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.
- Met with the auditors and with management and agreed plans for the preparation and audit of the Company's accounts, including:
 - Review of audit plans;
 - Review of audit scope; and
 - Review of audit and reporting timetables.
- Reviewed risk management, including:
 - Report from the Technical Risk Committee and Corporate Risk Committee;
 - Plans for the ongoing enhancement of risk management in the Group, and the consideration of engagement of a specialist to review the work of the Risk Committee as part of the continuous improvement of this; and
 - Key risks facing the Group and their management and mitigation.
- Reviewed Treasury management and hedging policy, including:
 - Review of authority limits; and
 - Review of relevant internal control procedures.
- Discussed matters with the Auditors in the absence of management.
- Reviewed the independence of the Auditors including in the context of any non-audit work.
- Reviewed monthly reports from the Group's external whistleblowing hotline.
- Considered, with management, the likelihood of further recovery of Kazakh VAT claims.
- Considered the integration plan for the Sasa operations and the setting up of an Integration Committee to monitor and measure the implementation of the Company's Financial Position and Prospects Procedures which was updated specifically as part of the transaction to acquire Lynx Resources.

DAVID SWAN

Chairman of the Audit Committee
12 April 2018

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. As an international and expanding Company we view these as fundamental 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 Chairman, Nick Clarke and myself as Committee Chairman, and from Kazakhstan, Nurlan Zhakupov. This ensures their depth of experience and wide range of perspectives are brought to the Committees' important and varied activities.

Given the importance which the Board places in this area, and the significance of this to the Group's continued operations, 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 32 to 39. The Group CSR policy can be found on the Group's website at www.centralasiametals.com.

We are particularly proud of the Group's achievements in terms of corporate social responsibility and are pleased that our copper is produced safely, with no lost time injuries reported during 2017, and with minimal impact to the environment in which we operate.

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;
 - Local community projects focused on health and education, particularly with regard to children and local charitable organisations.
- Considered specific CSR aspects of the Group's operation as they arose, determining appropriate action.
- Maintained a strong focus on enhancing health and safety with monthly health and safety meetings being held on site.
- Continued to improve risk profile post mitigation actions.
- Continued to review risk management and training, including the continued and valuable involvement of local teams.
- At the new site in Macedonia:
 - Reviewed the strategic implementation plan which included ongoing focus on contractor management;
 - Considered stakeholder engagement plans to align our CSR activities with the Company's targets for building long-term value and success;
 - Reviewed environmental factors to ensure ongoing compliance.

ROGER DAVEY

Chairman of the Corporate Social Responsibility Committee
12 April 2018

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 the workforce as a whole, the shareholders and other stakeholders.

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 appropriately 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 ongoing success of the Company. We believe this is essential to the Company achieving its strategic aims and generating shareholder value over the long term.

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

The last full review of Executive and Non-Executive Director remuneration took place with effect from 1 January 2018.

EXECUTIVE DIRECTOR SERVICE CONTRACTS AND SALARIES

The Executive Directors have service contracts with the Company at the following salaries with effect from 1 January 2018:

Nick Clarke	£424,000
Nigel Robinson	£280,000
Gavin Ferrar	£245,000

These reflect a 6% increase over the prior year in line with pay rises for other management. The Committee will review these salaries as appropriate in the context of the management changes taking effect from 16 April 2018. 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 as defined in the service contracts, 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. The service contracts also contain customary post termination restrictions.

ANNUAL BONUSES

The Executive Directors' are currently entitled to earn an annual cash bonus of up to 100% of their salary subject to the achievement of agreed performance targets and at the sole discretion of the Remuneration Committee. The challenging targets comprising the elements set out in the table on page 51 were exceeded resulting in payment of 100% of salary to each Executive Director.

In addition, the Remuneration Committee reviewed the exceptional and extraordinary effort, work and commitment contributed by the Executive Directors to the successful completion of the acquisition of Lynx Resources. After careful consideration, the Committee decided to recognise this contribution by granting the Executive Directors an exceptional additional cash bonus of 50% of salary. Whilst the key phase of any acquisition is, of course, post-completion and the Executives are separately being incentivised for success in this, the Committee decided that it was appropriate and indeed important to recognise the achievement in this way.

LONG-TERM INCENTIVE PLAN

Under the Company's share option schemes, nominal priced share options were granted to the Executive Directors during 2017 as shown in the table on page 52. These were equivalent in value to 100% of salary based on the share price as determined at the date of grant. 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 measurable over the first financial year to which the grant relates. The performance conditions are the same as those used for annual cash bonus mentioned on the previous page. The performance conditions for 2017 were met.

The Remuneration Committee intends that similar awards be granted to the Executive Directors in 2018.

Performance conditions measurable over one year are used because the Committee considers this, combined with share price performance, is the best way of targeting the desired performance. It considers that seeking to set three year targets would be inappropriate and counter-productive in that the rapidly changing nature of the Group makes determining appropriate targets over that period impractical. The Committee considered matters carefully this year, as it also did in the prior year, and will continue to do so in future years.

In addition, after full discussion and careful consideration, the Remuneration Committee intends to grant an exceptional additional award equivalent to 100% of salary for 2018 only. This is to recognise the critical phase the Group has entered in terms of integration of the Sasa mine into the rest of the Group and development of this alongside the Group's Kounrad asset. These awards are designed to motivate, retain and reward the key senior management resource that we will need to navigate this critical period in the Group's development. The awards will vest over three years from grant at the rate of one third per annum. Given their specifically targeted purpose they are not subject to performance conditions and are instead directly and fully aligned with shareholder value through share price performance over three years.

These arrangements were arrived at after full and careful consideration, and consultation with an external remuneration advisor, h2glenfern Limited and the Committee believes they are in the interests of shareholders.

The ongoing annual remuneration structure is consistent with prior years and the Committee believes this has been instrumental in generation of the exceptional growth in the value of the Group.

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 for 2018 as set out below:

Nigel Hurst-Brown	£100,000	David Swan ²	£80,000
Robert Cathery ¹	£80,000	Nurlan Zhakupov ³	£75,000
Roger Davey ⁴	£80,000	Kenges Rakishev	£75,000

1. This comprises a base fee of £75,000 and £5,000 Committee Chair fee for the role of Chairman of the Remuneration Committee.
2. This comprises a base fee of £75,000 and £5,000 Committee Chair fee for the role of Chairman of the Audit Committee.
3. 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 agreement was terminated on 1 April 2018.
4. This comprises a base fee of £75,000 and £5,000 Committee Chair fee for the role of Chairman of the CSR Committee.

The base Non-Executive fee was increased from £65,000 in 2017 to reflect the expansion in the role arising from the increased scale and complexity of the Group following the acquisition of Lynx Resources.

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.
- Reviewed, considered and approved the:
 - Annual bonus plans and targets for the year; and
 - LTIP grants and targets.
- Determined corporate performance targets including:
 - Copper production;
 - Production costs;
 - Health and safety; and
 - C1 Cash costs.
- Received and approved the outcomes against targets resulting in 100% pay-out of annual bonuses, and release, subject to time vesting, of the 2017 LTIP awards for the Executive Directors.
- Reviewed and approved the proposed updates to the Executive Director service agreements.
- Reviewed the outcome of the Independent Remuneration review carried out in Q1 and considered any points raised.

REMUNERATION COMMITTEE CONTINUED

DIRECTORS' REMUNERATION

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

	2017 Basic salary/ fees \$'000	2017 Annual bonus \$'000	2017 Pension \$'000	2017 Benefits in kind \$'000	2017 Total \$'000	2016 Total \$'000
Executive Directors:						
Nick Clarke	516	774	19	6	1,315	1,054
Nigel Robinson	342	513	13	6	874	689
Gavin Ferrar	299	449	11	–	759	318
Non-Executive Directors:						
Nigel Hurst-Brown	129	–	–	–	129	135
Robert Cathery	84	–	–	–	84	88
Nurlan Zhakupov	152	–	–	–	152	81
Kenges Rakishev	77	–	–	–	77	81
David Swan	84	–	–	–	84	88
Roger Davey	84	–	–	–	84	88
Directors' aggregate emoluments	1,767	1,736	43	12	3,558	2,622

The aggregate emoluments of the highest paid Director totalled \$1,315,000 (2016: \$1,054,000). 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 2017 Number	As at 31 Dec 2016 Number
Nick Clarke	1,342,887	1,342,887
Nigel Robinson	646,715	646,715
Total Directors' interests	1,989,602	1,989,602

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 2010 IPO and vested upon its successful completion.

DIRECTORS' OPTIONS AWARDS

During 2017 the Company awarded the following New Scheme options to the Directors of the Company:

	2017 Number	2016 Number
Nick Clarke ¹	168,279	227,312
Nigel Robinson ¹	111,485	147,605
Gavin Ferrar ¹	221,760	104,000
Nurlan Zhakupov ²	16,827	–
Total	518,351	478,917

The Options in the table above have been made under the following plans:

- options to the Executive Directors have been granted under the Central Asia Metals Employee Share Plan 2011. The performance conditions to which these awards were subject have been met and the awards vest in tranches of one third on the 31st March on the first, second and third years after grant.
- options to the Non-Executive Director have been granted under the Central Asia Metals Non-Executive Director Share Plan 2012 and are not subject to performance conditions.

During 2017 the Directors exercised the following New Scheme options:

	2017 Number	2016 Number
Nick Clarke	–	261,840
Nigel Robinson	–	206,808
Gavin Ferrar	–	–
Nurlan Zhakupov	–	–
Total Directors' interests	–	468,648

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 28 to the financial statements).

ROBERT CATHERY

Chairman of the Remuneration Committee
 12 April 2018

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2017.

Details of significant events since the balance sheet date are contained in note 38 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'). CAML owns 100% of the Kounrad SX-EW copper project in Kazakhstan and 100% of the Sasa zinc-lead mine in Macedonia. The Company also owns 80% of the Shuak copper exploration property in northern Kazakhstan.

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.

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 41 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 until 31 December 2017 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 2016 dividend of 10 pence per Ordinary Share of \$0.01 each ('share') was paid on 7 June 2017 and a 2017 interim dividend of 6.5 pence per Share was paid on 27 October 2017.

The Directors recommend a final dividend for the year ended 31 December 2017 of 10 pence per Share payable, subject to the approval of shareholders, on 25 May 2018, to those shareholders on the Company's register on 27 April 2018. This will take the total dividend for 2017 to 16.5 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 date of this report	Shares held as at 31 Dec 2017	Shares held as at 31 Dec 2016
Nick Clarke (Chairman) ¹	1,342,887	1,342,887	1,342,887
Nigel Hurst-Brown (Deputy Chairman)	909,065	909,065	909,065
Nigel Robinson (Chief Financial Officer) ¹	646,715	646,715	646,715
Gavin Ferrar	–	–	–
Robert Cathery ²	2,105,254	2,105,254	2,105,254
Roger Davey	–	–	–
Kenges Rakishev	–	10,605,876	21,211,751
David Swan	3,000	3,000	3,000
Nurlan Zhakupov	–	–	–
Total Directors' interests	5,006,921	15,612,797	26,218,672

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 (2016: 250,000) Shares held by Elizabeth Cathery, the wife of Robert Cathery; 1,355,254 (2016: 1,355,254) Shares held by Robert Cathery; and 500,000 (2016: 500,000) Shares held by Robert and Elizabeth Cathery are included in the above amounts.

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, David Swan and Nurlan Zhakupov are required to retire and be reappointed in this manner. During the year, Directors' and Officers' liability insurance was maintained for Directors and other Officers of the Group.

DIRECTORS' REPORT CONTINUED

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	%
FIL Investment International	16,051,321	9.12%
Orion Co-Investment III	15,278,528	8.68%
Hargreave Hale	14,501,409	8.24%
Blackrock Investment Management	12,781,258	7.26%
JO Hambro Capital Management	11,458,374	6.51%
Majedie Asset Management	10,956,711	6.23%
Commonwealth American Partners	5,351,000	3.04%

As at 31 December 2017, Kenges Rakishev held 10,605,876 shares representing 6.03% of the voting rights in the Company at that time.

The Company received no notifications of interests indicating a different whole percentage holding at 31 December 2017 other than as shown in the footnote to the table above.

CHANGES IN SHARE CAPITAL

On 12 October 2017, the Company issued 49,150,000 Shares at a price of 230 pence per Share under a placing in connection with its acquisition of Lynx Resources Limited, owner of the Sasa zinc-lead mine in Macedonia (the 'Lynx Acquisition').

When the Lynx Resources acquisition completed on 6 November 2017, 15,278,528 Shares were issued to Orion Co-Investments III L.P. at a price of 244 pence per Share.

The Lynx Acquisition constituted a "reverse takeover" under the AIM Rules for the Company and accordingly, the cancellation of CAML's Existing Ordinary Shares from trading on AIM and Readmission of the Company's enlarged share capital occurred simultaneously on 6 November 2017.

As at 31 December 2017 176,498,266 Shares were in issue including Treasury shares of 511,647.

The Treasury shares may either be cancelled or possibly used 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 reappointed 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 42 to 55. 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
12 April 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). 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 Company and of the profit or loss of the Group and Company for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Annual Report confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 Reduced Disclosure Framework, and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the company;
- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

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

On behalf of the Board



NIGEL ROBINSON
Chief Financial Officer
12 April 2018

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- Central Asia Metals plc's consolidated 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 2017 and of the Group's profit and cash flows for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts, which comprise: the Group and Company statements of financial position as at 31 December 2017; the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

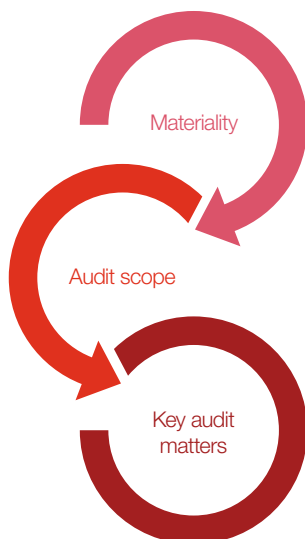
We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

OUR AUDIT APPROACH

OVERVIEW



- Overall Group materiality: \$2,200,000 (2016: \$1,650,000), based on approximately 5% of a three year average Profit Before Tax ('PBT').
- Overall Company materiality: \$945,151 (2016: \$512,317), based on approximately 5% of a three year average PBT.

- We conducted full scope audits at four significant components based on their size and risk characteristics; two operating entities in Kazakhstan, one operating entity in Macedonia and the head office in London. Our audit work enabled us to obtain coverage of 99% of consolidated PBT and 98% of total assets for the Group.
- Specific audit procedures were performed on certain balances and transactions at one reporting unit relating to exploration and evaluation assets.
- The Group engagement team visited the Kazakhstani and Macedonian operations as part of our audit in order to have sufficient oversight of the work of our component auditors in Kazakhstan and Macedonia. This included a site visit to the Kounrad plant and the Sasa mine.

Our key audit matters comprised:

- Accounting for the acquisition of Lynx Resources Group.
- Impairment of goodwill and non-financial assets.

THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

KEY AUDIT MATTERS

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p>Accounting for the acquisition of Lynx Resources Group</p> <p>As disclosed in note 6 to the financial statements, on 6 November 2017, CAML MK Limited, a wholly owned subsidiary of CAML, acquired 100% of the issued share capital of Lynx Resources Limited, a holding company for a group of companies that owns the Sasa mine.</p> <p>The transaction was considered to be a business combination under IFRS 3.</p> <p>Accounting for the business combination is complex and involves judgement around identifying the date of acquisition, determination of the fair value of consideration paid and payable, and assessment of the fair value of the assets acquired and liabilities assumed.</p> <p>Management engaged independent external experts to perform the fair value exercise using discounted cash flow models for the non-current assets. Management made further fair value adjustments to working capital balances as required.</p> <p>The provisional fair value exercise resulted in a \$215,594,000 uplift to net assets.</p> <p>The goodwill arising on the completion of the transaction, amounting to \$21,558,000, is equal to the deferred tax liability which arises on the difference between the assigned fair value of the acquired assets and liabilities and their tax base, in accordance with IFRS 3.</p> <p>Accounting for a business combination requires that the accounting policies of the acquiree are aligned with the accounting policies of the acquirer – this has been performed by Group management.</p> <p>Given the significance and complexity around the transaction, there is a risk that the accounting treatment may be incorrect and as such this was a key audit matter.</p>	<p>We used our valuation experts to evaluate the key assumptions, including commodity prices and discount rates used by management. We benchmarked these to external data and challenged the assumptions based on our knowledge of the Group and the industry within which it operates.</p> <p>We reconciled the key assumptions around production volumes, capital expenditure, operating costs and expected life of assets to the competent person's report as well as against historic performance. There were no material differences. We have also assessed the competency and objectivity of the competent person.</p> <p>We assessed management's assumptions in the fair value exercise concerning other assets and liabilities particularly around the recoverability of trade and other receivables and the valuation of inventory.</p> <p>We challenged the completeness of management's assessment of the fair value of identifiable assets and liabilities and found no other material items requiring to be valued.</p> <p>Based on the results of our work, we consider that the provisional fair values recognised sit within an acceptable range of potential fair values and that the associated disclosures are appropriate.</p>

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

Key audit matter

Impairment of goodwill and non-current assets

As disclosed in note 20, the Group has goodwill of \$11m within the Kounrad Cash Generating Unit (CGU) which must be tested for impairment on an annual basis. Management determined that the recoverable amount of the goodwill balance exceeded the carrying value.

The carrying value of Kounrad is supported by value in use calculations, which are based on future cash flow forecasts.

Management also assessed the change in key assumptions used to value the goodwill arising on the acquisition of Lynx Resources and analysed other non-current assets for potential impairment indicators.

Management determined that no impairment of goodwill and no triggers for impairment of non-current assets exist in any of the CGUs, having considered key factors such as commodities prices, reserves estimates and discount rates.

Management additionally considered the recoverability of the investments and intercompany balances in subsidiaries held in the Company's financial statements and did not identify any differences between the carrying amount of the individual investments and the relevant recoverable amount.

Impairment assessments require significant judgement and there is the risk that the valuation of the assets may be incorrect and any potential impairment charge or reversal miscalculated. As such, this was a key audit matter due to the material nature of the balance.

How our audit addressed the key audit matter

We used our valuation experts to assist in evaluating the appropriateness of key market related assumptions in management's valuation models, including commodity prices and discount rates.

We agreed the reserves, capital expenditures and operating expenses estimates to the competent person's reports and evaluated against the historical performance of the CGUs. We assessed the competency and objectivity of the competent persons.

We did not identify any material issues with management's impairment conclusions and the disclosures made by management.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the statutory reporting unit level by us, as the Group engagement team, or through involvement of our component auditors in Kazakhstan and Macedonia. The Group's assets and operations are primarily located within two locations in Kazakhstan and Macedonia. Financial reporting is undertaken in offices in Balkhash, Skopje and London.

Where work was performed by our component auditors in Kazakhstan and Macedonia, we determined the level of involvement we needed to have in the audit work for each reporting unit to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. The Group team's involvement comprised of conference calls, review of component auditor work papers, attendance at component audit clearance meetings and other forms of communication as considered necessary. In addition, senior members of the Group audit team performed site visits to the operating assets at Kounrad and the Sasa mine.

The Group engagement team directly performed the work over the Company, the intermediate holding companies as well as the consolidation.

We identified four reporting units which, in our view, required an audit of their complete financial information, either due to their size or risk characteristics. This included two main operating subsidiaries in Kazakhstan, one operating subsidiary in Macedonia as well as the Company in the United Kingdom. Specific audit procedures on certain balances and transactions were also performed on one further reporting unit. The above gave us coverage of 99% over consolidated PBT and 98% over consolidated total assets. This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Consolidated financial statements	Company financial statements
Overall materiality	\$2,200,000 (2016: \$1,650,000).	\$945,151 (2016: \$512,317).
How we determined it	approximately 5% of three year average PBT	approximately 5% of three year average PBT.
Rationale for benchmark applied	In assessing the most appropriate benchmark to use as a basis for materiality we considered the nature of the legacy business and the newly acquired Lynx Resources. Since the Group and its significant components are profit-oriented entities we believe that a PBT-based benchmark is the most appropriate. Due to the ongoing volatility in commodity prices and the impact it can have on the profitability of the Group, we considered that a three year average PBT was appropriate.	We believe that profit before tax is the primary measure used by the members in assessing the performance of the entity, and is a generally accepted auditing benchmark. Similar to the Group, we used a three year average to eliminate the impact of volatility in commodity prices.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between \$503,000 and \$2,000,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$110,000 (Group audit) (2016: \$80,000) and \$47,250 (Company audit) (2016: \$51,232) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report and Accounts other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

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

STRATEGIC REPORT AND DIRECTORS' REPORT

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

USE OF THIS REPORT

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.

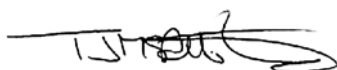
OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

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
- certain disclosures of Directors' remuneration specified by law are not made; 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.



TIMOTHY MCALLISTER (SENIOR STATUTORY AUDITOR)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
12 April 2018

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

	Note	Group	
		2017 \$'000	2016 \$'000
Continuing operations			
Revenue	7	102,517	66,707
Presented as:			
Gross revenue	7	106,479	69,269
Less:			
Silver purchases from silver stream	7	(1,120)	–
Freight cost	7	(252)	–
Off-take buyers' fees	7	(2,590)	(2,562)
Revenue		102,517	66,707
Cost of sales	8	(31,363)	(18,388)
Gross profit		71,154	48,319
Distribution and selling costs	9	(394)	(215)
Administrative expenses	10	(15,294)	(13,266)
Other (expense)/income	11	(12,348)	192
Foreign exchange gain/(loss)		3,349	(1,385)
Operating profit		46,467	33,645
Finance income	15	5,597	67
Finance costs	16	(2,319)	(158)
Profit before income tax		49,745	33,554
Income tax	17	(13,468)	(6,661)
Profit for the year from continuing operations		36,277	26,893
Discontinued operations			
Profit/(loss) for the year from discontinued operations	22	56	(796)
Profit for the year		36,333	26,097
Profit attributable to:			
- Non-controlling interests		(36)	(173)
- Owners of the parent		36,369	26,270
		36,333	26,097
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	18	29.02	24.26
From discontinued operations		0.04	(0.72)
From profit for the year		29.06	23.54
Diluted earnings/(loss) per share			
From continuing operations	18	28.31	23.71
From discontinued operations		0.04	(0.72)
From profit for the year		28.35	22.99

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 \$26,826,000 (2016: \$20,361,000).

The results of the Copper Bay entities were reclassified as discontinued operations in the comparative year ended 31 December 2016 in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations (note 22).

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Note	Group	
		2017 \$'000	2016 \$'000
Profit for the year		36,333	26,097
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences	27	7,989	1,034
Other comprehensive income for the year, net of tax		7,989	1,034
Total comprehensive income for the year		44,322	27,131
Attributable to:			
– Non-controlling interests		(36)	(173)
– Owners of the parent		44,358	27,304
Total comprehensive income for the year		44,322	27,131
Total comprehensive income attributable to equity shareholders arises from:			
– Continuing operations		44,266	27,927
– Discontinued operations		56	(796)
		44,322	27,131

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER

Registered no. 5559627

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Assets					
Non-current assets					
Property, plant and equipment	19	460,952	50,324	37	78
Intangible assets	20	70,321	40,759	8	13
Investments	21	-	-	11,821	11,771
Other non-current receivables	23	2,519	2,738	1,531	-
		533,792	93,821	13,397	11,862
Current assets					
Inventories	24	6,998	3,319	-	-
Trade and other receivables	23	13,738	919	328,902	361
Restricted cash	25	2,812	118	2,672	-
Cash and cash equivalents	25	43,022	40,258	15,083	34,951
		66,570	44,614	346,657	35,312
Assets of disposal group classified as held for sale	22	4,516	45	-	-
		71,086	44,659	346,657	35,312
Total assets		604,878	138,480	360,054	47,174
Equity attributable to owners of the parent					
Ordinary shares	26	1,765	1,121	1,765	1,121
Share premium	26	191,184	-	191,184	-
Treasury shares	26	(7,780)	(7,780)	(7,780)	(7,780)
Currency translation reserve	27	(79,446)	(87,435)	-	-
Retained earnings:					
At 1 January		215,479	209,120	51,184	50,734
Profit for the year attributable to the owners		36,369	26,270	26,826	20,361
Other changes in retained earnings		(20,553)	(19,911)	(21,815)	(19,911)
		231,295	215,479	56,195	51,184
		337,018	121,385	241,364	44,525
Non-controlling interests		55	91	-	-
Total equity		337,073	121,476	241,364	44,525
Liabilities					
Non-current liabilities					
Borrowings	31	141,839	-	89,711	-
Deferred revenue	30	17,621	-	-	-
Other non-current payables	29	8,000	-	-	-
Deferred income tax liability	37	30,361	8,541	-	-
Provisions for other liabilities and charges	32	5,319	2,087	-	-
		203,140	10,628	89,711	-
Current liabilities					
Borrowings	31	40,075	-	24,000	-
Deferred revenue	30	2,056	-	-	-
Trade and other payables	29	22,398	6,020	4,979	2,649
Provisions for other liabilities and charges	32	46	-	-	-
		64,575	6,020	28,979	2,649
Liabilities of disposal group classified as held for sale	22	90	356	-	-
		64,665	6,376	28,979	2,649
Total liabilities		267,805	17,004	118,690	2,649
Total equity and liabilities		604,878	138,480	360,054	47,174

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

The financial statements on pages 61 to 98 were authorised for issue by the Board of Directors on 12 April 2018 and were signed on its behalf.



NIGEL ROBINSON
Chief Financial Officer
Central Asia Metals plc

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 2016		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	27	-	-	-	1,034	-	1,034	-	1,034
Total comprehensive income/ (expense)		-	-	-	1,034	26,270	27,304	(173)	27,131
Transactions with owners									
Share based payments	10	-	-	-	-	2,959	2,959	-	2,959
Sale of EBT shares	26	-	-	30	-	-	30	-	30
Exercise of options		-	-	-	-	(2,466)	(2,466)	-	(2,466)
Dividends	35	-	-	-	-	(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
Profit/(loss) for the year		-	-	-	-	36,369	36,369	(36)	36,333
Other comprehensive expense – currency translation differences	27	-	-	-	7,989	-	7,989	-	7,989
Total comprehensive income/ (expense)		-	-	-	7,989	36,369	44,358	(36)	44,322
Transactions with owners									
Issue of shares	26	644	191,184	-	-	-	191,828	-	191,828
Share based payments	10	-	-	-	-	2,823	2,823	-	2,823
Disposal of subsidiaries	21	-	-	-	-	1,262	1,262	-	1,262
Exercise of options		-	-	-	-	(1,492)	(1,492)	-	(1,492)
Dividends	35	-	-	-	-	(23,146)	(23,146)	-	(23,146)
Total transactions with owners, recognised directly in equity		644	191,184	-	-	(20,553)	171,275	-	171,275
Balance as at 31 December 2017		1,765	191,184	(7,780)	(79,446)	231,295	337,018	55	337,073

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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 2016		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	10	-	-	-	2,959	2,959
Sale of EBT shares	26	-	-	30	-	30
Exercise of options		-	-	-	(2,466)	(2,466)
Dividends	35	-	-	-	(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
Profit for the year		-	-	-	26,826	26,826
Total comprehensive income		-	-	-	26,826	26,826
Transactions with owners						
Issue of shares	26	644	191,184	-	-	191,828
Share based payments	10	-	-	-	2,823	2,823
Exercise of options		-	-	-	(1,492)	(1,492)
Dividends	35	-	-	-	(23,146)	(23,146)
Total transactions with owners, recognised directly in equity		644	191,184	-	(21,815)	170,013
Balance as at 31 December 2017		1,765	191,184	(7,780)	56,195	241,364

The above Company Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Cash generated from operations	33	60,412	44,746
Interest paid		(2,127)	(4)
Corporate income tax paid		(12,294)	(9,208)
Net cash generated from operating activities		45,991	35,534
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired	6	(268,008)	-
Purchase of property, plant and equipment	19	(4,082)	(12,331)
Purchase of intangible assets	20	(2,025)	(1,594)
Proceeds from sale of property, plant and equipment		-	147
Interest received	15	323	67
Restricted cash (increase)/decrease	25	(2,694)	376
Net cash used in investing activities		(276,486)	(13,335)
Cash flows from financing activities			
Proceeds from issues of shares (net)	26	142,945	-
Gain on currency hedge	15	2,977	-
Proceeds from borrowings	31	120,000	-
Repayment of borrowings	31	(8,362)	-
Dividends paid to owners of the parent	35	(23,146)	(20,360)
Settlement on exercise of share options	28	(1,491)	(2,436)
Net cash used in financing activity		232,923	(22,796)
Effect of foreign exchange gain/(loss) on cash and cash equivalents		487	(669)
Net increase/(decrease) in cash and cash equivalents		2,915	(1,266)
Cash and cash equivalents at the beginning of the year	25	40,258	41,524
Cash and cash equivalents at the end of the year	25	43,173	40,258

Cash and cash equivalents at 31 December 2017 includes cash at bank and on hand included in assets held for sale of \$151,000 (31 December 2016: nil) (note 22).

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 Macedonia and a parent holding company based in the United Kingdom ('UK').

CAML owns 100% of the Kounrad SX-EW copper project in Kazakhstan and 100% of the Sasa zinc-lead mine in Macedonia. The Company also owns 80% of the Shuak copper exploration property in northern Kazakhstan. During the year, the Group held for sale its 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. 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 (note 21).

CAML is a public limited company, which is listed on the AIM market of the London Stock Exchange and incorporated and domiciled in England, 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 2017. 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. 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. 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 through its profitable operations at Kounrad and Sasa. The Group manages liquidity risk by maintaining adequate committed borrowing facilities and the Group has substantial cash balances as at 31 December 2017. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence over a period of at least 12 months from the date of approval of the financial statements.

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 September 2022. During the year, 100% of Sasa's zinc and lead concentrate was sold to credit-worthy customers and on 1 January 2018, Lynx Mining Limited entered into a zinc and lead concentrate off-take arrangement with Traxys, which has been fixed through to 31 December 2022. The commitment is for 100% of the Sasa concentrate production.

The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Please refer to notes 7, 25 and 29 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 applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12; and
- Disclosure initiative – amendments to IAS 7.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods or the current period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

IFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. Given the relatively simple nature of the Group's financial assets and liabilities, no material impact is expected for the Group. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect any changes. The new standard also introduces expanded disclosure requirements and changes in presentation. These are not expected to significantly change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The standard must be applied for financial years commencing on or after 1 January 2018.

The IASB has issued a new standard for the recognition of revenue, IFRS 15 'Revenue from Contracts with Customers'. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. Management has reviewed the agreements with Traxys and there is not expected to be any significant changes to revenue recognition. The assessment of the impact on the silver stream is ongoing. The standard must be applied for financial years commencing on or after 1 January 2018.

IFRS 16 'Leases' was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of \$114,000. All of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss. The standard must be applied for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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 2017.

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.

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.

BUSINESS COMBINATIONS

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 the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and reported within other expense.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and

- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

Development costs relating to specific mining properties are capitalised once management determines a property will be developed. A development decision is made based upon consideration of project economics, including future metal prices, reserves and resources, and estimated operating and capital costs. Capitalisation of costs incurred and proceeds received during the development phase ceases when the property is capable of operating at levels intended by management and is considered commercially viable. Costs incurred during the production phase to increase future output by providing access to additional reserves, are deferred and depreciated on a units-of-production basis over the component of the reserves to which they relate. Ore reserves may be declared for an undeveloped mining project before its commercial viability has been fully determined. Development costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit. Development costs expenditures are not depreciated.

Depreciation is provided on all property, plant and equipment on a straight-line basis over its total expected useful life. As at 31 December 2017 the remaining useful lives were as follows:

- Construction in progress – not depreciated
- Land – not depreciated
- Plant and equipment – over 5 to 21 years
- Mining assets – over 2 to 21 years
- Motor vehicles – over 2 to 10 years
- Office equipment – over 2 to 10 years

Mineral reserves are depreciated on a Unit of Production basis ('UoP'), in proportion to the volume of ore extracted in the year compared with total proven and probable reserves at the beginning of the year. Assets within operations for which production is not expected to fluctuate significantly from one year to another or which have a physical life shorter than the related mine are depreciated on a straight-line basis.

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

A) 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.

B) 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.

REVENUE

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, treatment charges, freight costs 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 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 agreements provide for 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 Group reports both a gross revenue and revenue line. Gross revenue is reported after deductions of treatment charges but before deductions of off-takers fees, silver purchases from silver stream and freight.

DEFERRED REVENUE

Advances received from the precious metal streaming agreement for future deliveries of silver are recognised as deferred revenue and relate to the production over the lifetime of the mine. Deferred revenue is released to the statement of comprehensive income as the silver is delivered based on the units of production.

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.

NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

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.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

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.

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.

BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

PROVISIONS**A) ASSET RETIREMENT OBLIGATION**

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.

B) EMPLOYEE BENEFITS – PENSION

The Group, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personnel tax, which are calculated based on gross salaries and wages according to legislation. The cost of these payments is charged to the consolidated statement of comprehensive income in the same period as the related salary cost.

C) EMPLOYEE BENEFITS – RETIREMENT BENEFITS AND JUBILEE AWARDS

Pursuant to the labour law prevailing in the Macedonian subsidiaries, the Group is obliged to pay retirement benefits in an amount equal to two average monthly salaries, at their retirement date. According to the collective agreement, the Group is also obliged to pay jubilee anniversary awards for each ten years of continuous service of the employee. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. In addition, the Group is not obligated to provide further benefits to current and former employees.

Retirement benefit obligations arising on severance pay are stated at the present value of expected future cash payments towards the qualifying employees. These benefits have been accrued by an independent actuary in accordance with the prevailing rules of actuarial mathematics. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to profit and loss over the employees' expected average remaining working lives.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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. These risks are mitigated wherever possible by the Group's financial management policies and practices described below. The Group's risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

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, Euro and Macedonian Denar.

During the year, the Group entered into a currency hedge arrangement in respect of the majority of the net proceeds of the share placing (note 15) in order to limit its total exposure to adverse currency movements.

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		
	2017	2016	Movement	2017	2016	Movement
Kazakhstan Tenge	326.00	342.16	4%	332.33	333.29	0%
Macedonian Denar	51.69*	-	-	51.27	-	-
British Pound	0.78	0.74	-5%	0.74	0.81	9%

* for the 2 month period ended 31 December 2017 (note 6)

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

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

In \$'000 equivalent	Group		
	2017 USD	2017 EUR	2017 GBP
Trade and other receivables	-	-	-
Cash and cash equivalents	4,895	48	3,473
Trade and other payables	-	(42)	(3,781)
Net exposure	4,895	6	(308)

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

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

At 31 December 2017, if the foreign currencies had weakened/strengthened by 10% against the US Dollar, post-tax Group profit for the year would have been \$1,114,000 lower/higher (2016: \$145,000 lower/higher).

COMMODITY PRICE RISK

During the year, the Group's Treasury policy allowed limited hedging up to a maximum of 30% of the Group's rolling 12-month copper production by fixing the price in advance for its copper cathode sales. Current debt facilities limit 2018 copper price hedging up to 50% and zinc and lead prices hedging up to 75% of annual production.

The Group's hedging policy for 2018 is not to hedge commodity prices, however a hedging program can be put in place on the approval of the Board of Directors.

During the year ended 31 December 2017, the Group fixed the price of 5,125 tonnes of copper cathode with the Group's off-take partner (2016: 9,750 tonnes). 1,875 tonnes have been fixed during Q1 2018 at \$6,002 per tonne.

The following table details the Group's sensitivity to a 10% increase and decrease in the copper, zinc and lead 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	
	2017 \$'000	2016 \$'000
10% increase in copper, zinc and lead price	10,648	6,927
10% decrease in copper, zinc and lead price	(10,648)	(6,927)

LIQUIDITY RISK

Liquidity risk relates to the ability of the Group to meet future obligations and financial liabilities as and when they fall due. The Group currently has sufficient cash resources to facilitate the debt and a material income stream from the Kounrad and Sasa projects. The Group has no undrawn borrowings as at 31 December 2017 (2016: nil).

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.

Consistent with others in the industry, the Group monitors capital on the basis of the following gearing ratio:

NET DEBT

	Note	2017 \$'000	2016 \$'000
Cash and cash equivalents	25	43,022	40,258
Borrowings variable interest rates – repayable within one year	31	(40,075)	–
Borrowings variable interest rates – repayable after one year	31	(141,839)	–
Net (debt)/cash		(138,892)	40,258
Total equity		337,073	121,476
Net debt to equity ratio		41%	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2017

3. FINANCIAL RISK MANAGEMENT CONTINUED

The Group has substantial cash balances as at 31 December 2017. 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 25 and on its trade and other receivables as set out in note 23. The Group sells a minimum of 90% of Kounrad's copper cathode production to a credit-worthy off-taker and during the year 100% of Sasa's zinc and lead concentrate was sold to credit-worthy customers. On 1 January 2018, Lynx Mining Limited entered into a zinc and lead concentrate off-take arrangement with Traxys, which has been fixed through to 2022. The commitment is for 100% of the Sasa concentrate production.

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's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During 2017, the Group's borrowings at variable rate were denominated in Macedonian Denars and US Dollars (2016: nil). The Group's borrowings are carried at amortised cost. The Group has borrowings at variable interest rates and a 1% point rise in market interest rate would have caused the interest paid to increase by \$293,000 while a similar decrease would have caused the same decrease in interest paid. The Group does not hedge its exposure to interest rate risk.

The Group had \$7,814,000 of cash balances on short-term deposit as at 31 December 2017 (2016: \$8,049,000). The average fixed interest rate on short-term deposits during the year was 0.98% (2016: 0.55%). For banks and financial institutions, only parties with a minimum rating of BBB- are accepted. 37% of the Group's cash and cash equivalents including restricted cash at the year-end were held by an A+ rated bank (2016: 87% by an AA- bank). The rest of Group's cash was held with a mix of institutions with credit ratings between A to BBB- (2016: A to B-).

CATEGORIES OF FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

	Group	
	31 Dec 17 \$'000	31 Dec 16 \$'000
Cash and receivables:		
Cash and cash equivalents including restricted cash (note 25)	45,834	40,376
Trade and other receivables	9,792	24
	55,626	40,400

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 years.

FINANCIAL LIABILITIES

	Group	
	31 Dec 17 \$'000	31 Dec 16 \$'000
Measured at amortised cost:		
Trade and other payables within one year	14,712	3,762
Borrowings payable within one year	40,538	-
Borrowings payable later than one year but not later than five years	108,400	-
Borrowings payable later than five years	37,600	-
	201,250	3,762

Trade and other payables excludes deferred revenue, corporation tax, social security and other taxes as they are not considered financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group has the following 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 reserves and resources. The value of the reserves and 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 were classified as JORC Compliant in 2013 and the Sasa JORC ore reserves and mineral resources were estimated in July 2017. 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") and the Lynx Resources Limited acquisition in November 2017 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 20.

FUNCTIONAL CURRENCY

The functional currency of the Kazakhstan subsidiaries is Kazakhstan Tenge and the functional currency of the Macedonian subsidiaries is Macedonian Denar, which reflects the currency of the primary economic environment in which these entities operate. 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. The discounted provision recognised represents management's best estimate of the costs that will be incurred, but significant judgement is required, as many of these costs will not crystallise until the end of the life of the mine. Estimates are reviewed annually and are based on current contractual and regulatory requirements and the estimated useful life of mines. Engineering and feasibility studies are undertaken periodically; however significant changes in the estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period.

BUSINESS COMBINATIONS

All business combinations in the Group are accounted for under IFRS 3 'Business Combinations' using the acquisition method. When the Group acquires a business, it assesses the fair value of assets and liabilities acquired for the purpose of purchase price allocation as at the acquisition date. When discounted cash flow calculations are undertaken, management estimates the expected future cash flows from the cash generating unit ('CGU') by considering the future metal price, expected ore reserve, grade, mine life, moisture content and discount rate in order to estimate the expected present value of cash flows from the mine. The inputs to these factors are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. During the year, the Group completed the acquisition of Lynx Resources Limited which has been accounted for under IFRS 3 'Business Combinations' using the acquisition method. The key assumptions used to determine the provisional fair value of assets acquired and liabilities assumed are disclosed in note 6.

VAT RECOVERABILITY

As explained in note 23, as at 31 December 2017, a total of \$2,703,000 (2016: \$2,838,000) of VAT receivable was still owed to the Group by the Kazakhstan authorities. In 2017, the Kazakhstan authorities refunded \$820,000 and a further amount of \$223,000 was refunded from the authorities in January 2018 and has been classified as current trade and other receivables as at 31 December 2017. 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 offset VAT liabilities and by a continued dialogue with the authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2017

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 three business segments consisting of the SX-EW copper plant at Kounrad in Kazakhstan, the Sasa zinc-lead mine in Macedonia and the Shuak exploration project in Kazakhstan. The Group operations are controlled from a head office in London, UK, but this does not represent a separate business segment. The Copper Bay project is reported within discounted operations (note 22).

The segmental results for the year ended 31 December 2017 are as follows:

	Kounrad \$'000	Sasa \$'000	Shuak \$'000	Unallocated \$'000	Total \$'000
Gross revenue	86,443	20,036	-	-	106,479
Silver purchases from silver stream	-	(1,120)	-	-	(1,120)
Freight cost	-	(252)	-	-	(252)
Off-take buyers' fees	(2,590)	-	-	-	(2,590)
Revenue	83,853	18,664	-	-	102,517
EBITDA	63,565	14,485	(130)	(24,127)	53,793
Lynx Resources acquisition costs	-	-	-	12,600	12,600
Adjusted EBITDA	63,565	14,485	(130)	(11,527)	66,393
Depreciation and amortisation	(6,695)	(4,176)	(1)	(55)	(10,927)
Foreign exchange (loss)/gain	(29)	2,683	(13)	708	3,349
Other income/(expense)	268	(16)	-	(12,600)	(12,348)
Finance income	8	2,296	-	3,293	5,597
Finance costs	(172)	(783)	(4)	(1,360)	(2,319)
Profit/(loss) before income tax					49,745
Income tax					(13,468)
Profit for the year after tax from continuing operations					36,277
Profit from discontinued operations					56
Profit for the year					36,333

CAML signed the framework agreement to acquire the Shuak copper-gold exploration project in November 2016 and the comparative segmental results for the year ended 31 December 2016 do not include the results of the Shuak project. The segmental results for the year ended 31 December 2016 are as follows:

	Kounrad \$'000	Unallocated \$'000	Total \$'000
Gross revenue	69,269	-	69,269
Off-take buyers' fees	(2,562)	-	(2,562)
Revenue	66,707	-	66,707
EBITDA	51,321	(11,400)	39,921
Depreciation and amortisation	(5,028)	(55)	(5,083)
Foreign exchange loss	(271)	(1,114)	(1,385)
Other income	192	-	192
Finance income	8	59	67
Finance costs	(158)	-	(158)
Profit/(loss) before income tax	46,064	(12,510)	33,554
Income tax			(6,661)
Profit for the year after tax from continuing operations			26,893
Loss from discontinued operations			(796)
Profit for the year			26,097

ADJUSTED EBITDA

Adjusted EBITDA is a non-IFRS financial measure and excludes subsidiary acquisitions costs which may have an impact on the quality of earnings. Adjusted 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. Adjusted 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 adjusted EBITDA differently.

EBITDA excludes the following items:

- Income tax expense;
- Finance income and expense;
- Other income/(expense);
- Foreign exchange;
- Depreciation and amortisation; and
- Discontinuing operations.

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

	2017 \$'000	2016 \$'000
Profit for the year	36,333	26,097
Plus/(less):		
Income tax expense	13,468	6,661
Depreciation and amortisation	10,927	5,083
Foreign exchange (gain)/loss	(3,349)	1,385
Other income	(252)	(192)
Finance income	(5,597)	(67)
Finance costs	2,319	158
(Profit)/loss from discontinued operations	(56)	796
Group continuing operations EBITDA	53,793	39,921
Lynx Resources Limited acquisition costs (note 6)	12,600	-
Group continuing operations adjusted EBITDA	66,393	39,921

Group segmental assets and liabilities for the year ended 31 December 2017 are as follows:

	Segmental assets		Additions to non-current assets		Segmental liabilities	
	31 Dec 17 \$'000	31 Dec 16 \$'000	31 Dec 17 \$'000	31 Dec 16 \$'000	31 Dec 17 \$'000	31 Dec 16 \$'000
Kounrad	99,872	98,275	1,050	12,354	(13,953)	(13,700)
Sasa	477,657	-	3,043	-	(122,975)	-
Shuak	1,475	-	1,244	-	(71)	-
Copper Bay	-	4,766	-	2,002	-	(259)
Assets held for sale (note 22)	4,516	45	758	-	(90)	(356)
Unallocated including corporate	21,358	35,394	-	-	(130,716)	(2,689)
	604,878	138,480	6,095	14,356	(267,805)	(17,004)

The assets and liabilities of the Copper Bay entities have been classified as assets held for sale during the year ended 31 December 2017 (note 22).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2017

6. BUSINESS COMBINATION

A) SUMMARY OF ACQUISITION

On 6 November 2017, CAML MK Limited, a wholly owned subsidiary of CAML, acquired 100% of the issued share capital of Lynx Resources Limited, a holding company for a group of companies that owns the SASA mine. The SASA mine located in north-eastern Macedonia, comprises an operating underground zinc and lead mine and a processing facility that produces both zinc and lead concentrate. The acquisition expands and diversifies CAML's business with the addition of another cash generative asset with low production costs, a resource base supporting a long mine life and a proven operational track record.

The acquisition has been accounted for under IFRS 3 'Business Combinations' using the acquisition method. The acquisition was classified as a reverse takeover under the AIM Rules for Companies.

	Provisional fair value \$'000
Purchase consideration:	
Cash consideration	340,178
Ordinary shares issued	48,883
Deferred consideration	12,000
	401,061
Less: net debt acquired	(67,000)
Total purchase consideration	334,061

In March 2018, a final determination was reached with regards to the purchase price, pursuant to the share purchase agreement and an amount of \$3,300,000 was received from the sellers in April 2018 and is deducted from the cash paid amount. This amount was recognised as a current receivable as at 31 December 2017.

The fair value of the 15,278,528 shares issued as part of the consideration paid for Lynx Resources Limited (\$48,883,000) was based on the published share price on 6 November 2017 of £2.44 per share translated at the USD/GBP spot exchange rate of 1.31124.

The Company will pay the sellers \$12,000,000 of deferred consideration, payable in six equal monthly instalments commencing on the first anniversary of the acquisition (6 November 2018). The impact of discounting the deferred consideration is not material.

The provisional assets and liabilities recognised as a results of the acquisition are as follows:

	Provisional fair value \$'000
Intangible assets	10,841
Property, plant and equipment	402,567
Inventories	2,420
Trade and other receivables	13,128
Cash and cash equivalents	8,470
Borrowings	(70,276)
Deferred revenue	(19,981)
Provisions for other liabilities and charges	(3,493)
Trade and other payables	(9,615)
Deferred tax liability	(21,558)
Net assets acquired	312,503
Purchase consideration	334,061
Provisional goodwill	21,558

As permitted by IFRS 3 Business Combinations, the business combination is accounted for using provisional amounts. Any adjustments to the provisional amounts, will be made within the measurement period to reflect new information obtained about facts and circumstances that were in existence at the acquisition date. The measurement period cannot exceed one year from the acquisition date. Among other things, management are currently reviewing the fair value of the silver stream (note 30) which is reported as deferred revenue of \$19,981,000 in the table above.

To determine the fair value of the mineral reserves within property, plant and equipment including mining reserves, management used a discounted cash flow model to estimate the expected future cash flows of the mine, based on the life-of-mine plan. Expected future cash flows were based on estimates of future production and commodity prices, operating costs, and forecast capital expenditures using the life-of-mine plan as at the acquisition date. The key economic assumptions used were a five year consensus forecast average price of \$2,701 per tonne and a long-term price of \$2,282 per tonne for zinc, \$2,199 per tonne and \$1,991 per tonne for lead, and \$19.10 per ounce and \$18.40 per ounce for silver. A post-tax discount rate of 12% has been applied to discount the future post tax cash flows. The fair value of the remaining property, plant and equipment was determined based on a replacement cost approach.

The goodwill arising on the completion of and transaction amounting to \$21,558,000 is equal to the deferred tax liability which arises on the difference between the assigned fair value of the acquired assets and liabilities and their tax base.

The results of the Lynx Resources Group have been fully consolidated in the CAML financial statements for two months in the 2017 financial year (from 1 November 2017). The impact of six days between 1 November and 6 November 2017 is not material. The acquired business contributed gross revenue of \$20,036,000 and EBITDA of \$14,485,000 to the Group during this period. If the acquisition had occurred on 1 January 2017, consolidated pro-forma gross revenue and profit for the year ended 31 December 2017 would have been \$119,740,000 and \$56,320,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from 1 January 2017, together with the consequential tax effects.

Acquisition-related costs of \$12,600,000 that were not directly attributable to the issue of shares and borrowing proceeds are included in other expense in profit or loss and in operating cash flows in the statement of cash flows.

B) PURCHASE CONSIDERATION – CASH OUTFLOW

	2017 \$'000
Outflow of cash to acquire subsidiary, net of cash acquired:	
Cash consideration less net debt acquired	276,478
Less: cash acquired	(8,470)
Net outflow of cash – investing activities	268,008

The cash consideration in the table above excludes the amount of \$3,300,000 received from the sellers in April 2018.

7. REVENUE

Group	2017 \$'000	2016 \$'000
International customers (Europe) – copper cathode	85,342	68,442
International customers (Europe) – zinc and lead concentrate	19,373	–
Domestic customers (Kazakhstan) – copper cathode	1,100	827
Revenue of silver	664	–
Total gross revenue	106,479	69,269
Less:		
Silver purchases from silver stream	(1,120)	–
Off-take buyers' fees	(2,590)	(2,562)
Freight	(252)	–
Revenue	102,517	66,707

KOUNRAD

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 September 2022. The off-take 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.

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 2017, the Group sold 14,001 tonnes (2016: 13,751 tonnes) of copper through the off-take arrangements. Some of the copper cathodes are also sold locally and during 2017, 180 tonnes (2016: 187 tonnes) were sold to local customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2017

7. REVENUE CONTINUED

LYNX RESOURCES GROUP

During the two month period ended 31 December 2017, the Lynx Resources Group sold its zinc and lead concentrate to two European smelters. The agreements with the smelters provides for 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 and subject to final adjustment for assaying results.

During the two month period ended 31 December 2017, the Group sold 2,906 tonnes of zinc concentrate and 4,559 tonnes of lead concentrate.

On 1 January 2018, the Lynx Resources Group entered into a zinc and lead concentrate off-take arrangement with Traxys, which has been fixed through to 31 December 2022. The commitment is for 100% of the Sasa concentrate production.

On 1 September 2016, the Lynx Group entered into a Silver Purchase Agreement with Lynx Metals Limited by netting of its existing loan payable with Lynx Metals. The prepayments for the purchase of silver are recognised as deferred revenue (note 30) and are related to production of silver during the life of the mine. Deferred revenue is recognised in the income statement as the silver is delivered based on the units of production.

8. COST OF SALES

Group	2017 \$'000	2016 \$'000
Reagents, electricity and materials	7,600	5,291
Depreciation and amortisation (note 19, 20)	10,736	4,975
Royalties	5,459	3,858
Employee benefit expense	5,079	2,670
Consulting and other services	1,995	1,138
Taxes and duties	494	456
	31,363	18,388

9. DISTRIBUTION AND SELLING COSTS

Group	2017 \$'000	2016 \$'000
Transportation costs	108	44
Employee benefit expense	72	61
Taxes and duties	32	20
Depreciation and amortisation	18	16
Materials and other expenses	164	74
	394	215

The above distribution and selling costs are those incurred at Kounrad and Sasa in addition to the costs associated with the off-take arrangements. Note 7 refers to the costs associated with the off-take arrangements (off-take buyers' fee).

10. ADMINISTRATIVE EXPENSES

Group	2017 \$'000	2016 \$'000
Employee benefit expense	8,063	6,056
Share based payments	2,823	2,959
Consulting and other services	3,324	2,830
Office-related costs	883	851
Taxes and duties	27	478
Depreciation and amortisation	174	92
Total from continuing operations	15,294	13,266
Total from discontinued operations (note 22)	442	947
	15,736	14,213

11. OTHER (EXPENSE)/INCOME

Group	2017 \$'000	2016 \$'000
Lynx Resources Limited acquisition costs (note 6)	(12,600)	-
Other income	252	192
	(12,348)	192

12. AUDITORS' REMUNERATION

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

	2017 \$'000	2016 \$'000
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	306	131
Fees payable to the Company's auditors and its associates for other services:		
– The audit of Company's subsidiaries	29	15
– Tax compliance services	53	11
– Acquisition of Lynx Resources Limited including Reporting Accountant fees	2,382	–
– Other services	1	76
	2,771	233

13. EMPLOYEE BENEFIT EXPENSE

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

Group	2017 \$'000	2016 \$'000
Wages and salaries	11,661	8,419
Social security costs	1,833	1,300
Staff healthcare and other benefits	684	95
Other pension costs	350	79
Share based payments (note 28)	2,823	2,959
Total for continuing operations	17,351	12,852
Total for discontinuing operations	175	599
	17,526	13,451

The total employee benefit expense includes an amount of \$1,314,000 (2016: \$1,258,000) which has been capitalised within property, plant and equipment.

Company	2017 \$'000	2016 \$'000
Wages and salaries	5,348	3,990
Social security costs	1,257	856
Staff healthcare and other benefits	85	95
Other pension costs	70	29
Share based payments (note 28)	2,823	2,959
	9,583	7,929

Key management remuneration is disclosed in note 36.

14. MONTHLY AVERAGE NUMBER OF PEOPLE EMPLOYED

Group	2017 Number	2016 Number
Operational	375	246
Construction	9	60
Management and administrative	81	67
	465	373

The monthly average number of staff employed by the Company during the year including Non-Executive and Executive Directors was 17 (2016: 16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2017

15. FINANCE INCOME

Group	2017 \$'000	2016 \$'000
Gain on currency hedge	2,977	–
Foreign exchange gain on intercompany borrowings	2,297	–
Bank interest received	323	67
	5,597	67

The Company entered into a currency hedge arrangement in respect of the majority of the net proceeds of the share placing (note 26) in order to limit its total exposure to adverse currency movements.

16. FINANCE COSTS

Group	2017 \$'000	2016 \$'000
Provisions: unwinding of discount (note 32)	192	153
Interest on borrowings (note 31)	2,106	–
Bank charges	21	5
	2,319	158

17. INCOME TAX

Group	2017 \$'000	2016 \$'000
Current tax on profits for the year	13,984	9,580
Deferred tax credit (note 37)	(516)	(2,919)
Income tax expense	13,468	6,661

Taxation for each jurisdiction 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	2017 \$'000	2016 \$'000
Profit before taxation including loss from discontinued operations	49,801	32,758
Tax calculated at domestic tax rates applicable to profits in the respective countries	9,037	6,553
Tax effects of:		
Expenses not deductible for tax purposes	3,582	1,758
Profit/(loss) not subject to tax – Group operations in Bermuda	180	–
Movement on unrecognised deferred tax – tax losses	1,185	2,120
Movement on unrecognised deferred tax – other	–	(851)
Movement on recognised deferred tax (note 37)	(516)	(2,919)
Income tax expense	13,468	6,661

Corporate income tax is calculated at 19.25% (2016: 20%) of the assessable profit for the year for the UK parent company, 20% for the operating subsidiaries in Kazakhstan (2016: 20%) and 10% for the operating subsidiaries in Macedonia.

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

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

18. 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 26).

	2017 \$'000	2016 \$'000
Profit from continuing operations attributable to owners of the parent	36,313	27,066
Profit/(loss) from discontinued operations attributable to owners of the parent	56	(796)
Profitable attributable to owners of the parent	36,369	26,270
Weighted average number of Ordinary Shares in issue	125,144,585	111,558,091
	2017 \$ cents	2016 \$ 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	29.02	24.26
From discontinued operations	0.04	(0.72)
From profit for the year	29.06	23.54

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.

	2017 \$'000	2016 \$'000
Profit from continuing operations attributable to owners of the parent	36,313	27,066
Loss from discontinued operations attributable to owners of the parent	56	(796)
Profitable attributable to owners of the parent	36,369	26,270
Weighted average number of Ordinary Shares in issue	125,144,585	111,558,091
Adjusted for		
– Share options (note 28)	3,115,417	2,670,098
Weighted average number of Ordinary Shares for diluted earnings per share	128,260,002	114,228,189
	2017 \$ cents	2016 \$ cents
Diluted earnings/(loss) per share		
From continuing operations	28.31	23.71
From discontinued operations	0.04	(0.72)
From profit for the year	28.35	22.99

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2017

19. PROPERTY, PLANT AND EQUIPMENT

Group	Construction in progress \$'000	Plant and equipment \$'000	Mining assets \$'000	Motor vehicles and office equipment \$'000	Land \$'000	Mineral rights \$'000	Total \$'000
Cost							
At 1 January 2016	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 32)	-	(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
Acquisition of subsidiary (note 6)	8,722	48,216	-	-	643	344,986	402,567
Additions	3,903	26	-	132	21	-	4,082
Disposals	(28)	(396)	-	(46)	-	-	(470)
Change in estimate – asset retirement obligation (note 32)	-	(477)	-	-	-	-	(477)
Transfers	(5,129)	5,057	-	72	-	-	-
Exchange differences	371	1,648	5	3	-	11,654	13,681
At 31 December 2017	11,038	115,183	1,636	1,703	664	356,640	486,864
Accumulated depreciation							
At 1 January 2016	-	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
Provided during the year	-	6,321	69	142	-	2,744	9,276
Disposals	-	(435)	-	(19)	-	-	(454)
Exchange differences	-	(40)	(1)	(26)	-	-	(67)
At 31 December 2017	-	22,211	168	789	-	2,744	25,912
Net book value at 31 December 2016	3,199	44,744	1,531	850	-	-	50,324
Net book value at 31 December 2017	11,038	92,972	1,468	914	664	353,896	460,952

The Company had \$37,000 of office equipment at net book value as at 31 December 2017 (2016: \$78,000).

The Lynx Group has pledged building and equipment with an estimated carrying value of \$8,836,000 as of 31 December 2017 as a security for the borrowings (note 31).

The reduction in estimate in relation to the asset retirement obligation of \$477,000 (2016: \$22,000) is due to a combination of adjusting the provision recognised at the net present value of future expected costs using latest assumptions on inflation rates and discount rates 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 (note 32).

20. 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 2016	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
Acquisition of subsidiary (note 6)	21,558	-	10,412	430	32,400
Additions	-	2,002	-	23	2,025
Assets classified as held for sale (note 22)	-	(4,358)	-	-	(4,358)
Exchange differences	775	-	367	3	1,145
At 31 December 2017	32,626	1,244	41,730	514	76,114
Accumulated amortisation					
At 1 January 2016	-	-	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
Provided during the year	-	-	1,628	30	1,658
Exchange differences	-	-	(8)	-	(8)
At 31 December 2017	-	-	5,728	65	5,793
Net book value at 31 December 2016	10,293	3,600	26,843	23	40,759
Net book value at 31 December 2017	32,626	1,244	36,002	449	70,321

The Company had \$8,000 of computer software and website at net book value as at 31 December 2017 (2016: \$13,000).

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 five year forecast average nominal copper price of \$7,292 per tonne and a long-term price of \$7,372 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. The carrying value of the net assets is not currently sensitive to any reasonable changes in key assumptions.

SASA PROJECT

The Sasa project located in Macedonia 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2017

20. INTANGIBLE ASSETS CONTINUED

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 five year consensus forecast average price of \$2,701 per tonne and a long-term price of \$2,282 per tonne for zinc, \$2,199 per tonne and \$1,991 per tonne for lead, and \$19.10 per ounce and \$18.40 per ounce for silver a discount rate of 12%. Assumptions in relation to operational and capital expenditure are based on the latest budget approved by the Board.

At 31 December 2017, the Group has reviewed the indicators for impairment, including forecasted commodity prices, discount rates, operating and capital expenditure, and the mineral reserves and resources' estimates and has not identified any impairment indicators.

COPPER BAY PROJECT

The Group has reviewed the indicators for impairment under IFRS 6 Exploration and Evaluation of Mineral Resources and, although held for sale, 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. The Company has commenced a formal sales process of the asset.

21. INVESTMENTS

Shares in Group undertakings:

	Company	
	31 Dec 17 \$'000	31 Dec 16 \$'000
At 1 January 2017	11,771	11,713
Addition to investments in CAML Mongolia BV	-	15
Investment in Shuak BV	50	58
Impairment of investments in CAML Mongolia BV	-	(15)
At 31 December 2017	11,821	11,771

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 % 2017	CAML % 2016	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	23 Jun 08
Shuak BV	Herikerbergweg 238, 1101 CM Amsterdam, The Netherlands	Holding Company	80	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	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) Ltd	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	18 May 07
ZMLUK Limited	Masters House, 107 Hammersmith Road, London, W14 0QH, United Kingdom	Holding Company	100	–	10 April 17
CAML MK Limited	Masters House, 107 Hammersmith Road, London, W14 0QH, United Kingdom	Holding Company	100	–	5 Sep 17
Lynx Resources Limited	Cannon's Court, 22 Victoria St, Hamilton HM12, Bermuda	Holding Company	100	–	19 June 2015***
Lynx Mining Limited	Cannon's Court, 22 Victoria St, Hamilton HM12, Bermuda	Seller of zinc and lead concentrate	100	–	30 June 2015***
Lynx Europe SPLLC Skopje	Ivo Lola Ribar no. 57-1/6, 1000 Skopje, Macedonia	Holding Company	100	–	10 July 2015***
Rudnik SASA DOOEL Makedonska Kamenica	28 Rudarska Str, Makedonska Kamenica, 2304, Macedonia	Sasa project	100	–	22 June 2005***

* dissolved 5 July 2017

** fully diluted basis

*** acquired 6 November 2017 (note 6)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2017

21. INVESTMENTS CONTINUED

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. 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. The transfer of the SUC occurred in August 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, CAML disposed of its interest in Zuunmod UUL LLC in April 2018 and ZMLUK Limited was dissolved in April 2018.

22. ASSETS HELD FOR SALE

The assets and liabilities of the Copper Bay entities have been presented as held for sale in the statement of financial position following the decision of the CAML Board to sell the project in August 2017 and the Company has commenced a formal sales process. The results of the Copper Bay entities for the year ended 31 December 2017 and the comparative year ended 31 December 2016 are shown within discontinued operations in the consolidated income statement. 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.

During 2017, 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 and its interest in Zuunmod UUL LLC in April 2018 (see note 21). The Mongolian assets are fully written-down.

Assets of disposal group classified as held for sale:

	31 Dec 17 \$'000	31 Dec 16 \$'000
Cash and cash equivalents	151	–
Property plant and equipment	–	45
Intangible assets	4,358	–
Trade and other receivables	7	–
	4,516	45

Liabilities of disposal group classified as held for sale:

	31 Dec 17 \$'000	31 Dec 16 \$'000
Provisions	–	336
Trade and other payables	90	20
	90	356

Profit/(loss) from discontinued operations:

	2017 \$'000	2016 \$'000
General and administrative expenses	(442)	(947)
Other income	100	–
Foreign exchange gain	398	151
Profit/(loss) from discontinued operations	56	(796)

Cash flows of disposal group classified as held for sale:

	2017 \$'000	2016 \$'000
Operating cash flows	151	(22)
Total cash flows	151	(22)

23. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31 Dec 17 \$'000	31 Dec 16 \$'000	31 Dec 17 \$'000	31 Dec 16 \$'000
Current receivables				
Receivable from subsidiary	-	-	122	115
Loan due from subsidiary	-	-	327,891	-
Trade receivables	6,254	-	-	-
Prepayments	2,367	347	331	190
VAT receivable	1,563	548	547	56
Other receivables	3,554	24	11	-
	13,738	919	328,902	361
Non-current receivables				
Loan due from subsidiary	-	-	1,531	-
Prepayments	39	368	-	-
VAT receivable	2,480	2,370	-	-
	2,519	2,738	1,531	-

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.

The main loan due from a subsidiary of \$327,891,000 accrues interest at a rate of 5% per annum and is repayable on demand.

Other receivables includes \$3,300,000 received from the Sellers of Lynx Resources Limited in April 2018 (note 6).

As at 31 December 2017, the total Group VAT receivable was \$4,043,000 (2016: \$2,918,000) which includes an amount of \$2,703,000 (2016: \$2,838,000) of VAT owed to the Group by the Kazakhstan authorities. In 2017, the Kazakhstan authorities refunded \$820,000 and a further amount of \$223,000 was refunded from the authorities in January 2018 and has been classified as current trade and other receivables as at 31 December 2017. 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 offset VAT liabilities and by a continued dialogue with the authorities.

24. INVENTORIES

Group	31 Dec 17 \$'000	31 Dec 16 \$'000
Raw materials	6,440	2,962
Finished goods	558	357
	6,998	3,319

The Group did not have any slow-moving, obsolete or defective inventory as at 31 December 2017 (2016: nil).

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	31 Dec 17 \$'000	31 Dec 16 \$'000	31 Dec 17 \$'000	31 Dec 16 \$'000
Cash at bank and on hand	35,208	32,209	7,269	26,902
Short-term deposits	7,814	8,049	7,814	8,049
	43,022	40,258	15,083	34,951
Cash at bank and on hand included in assets held for sale	151	-	-	-
Total cash and cash equivalent	43,173	40,258	15,083	34,951
Restricted cash	2,812	118	2,672	-
Total cash and cash equivalent including restricted cash	45,985	40,376	17,755	34,951

The restricted cash amount of \$2,812,000 (2016: \$118,000) is held at bank to cover debt compliance and Kounrad SUC licence requirements. Short-term deposits are held at call with banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2017

26. SHARE CAPITAL AND PREMIUM

	Number of shares	Ordinary shares \$'000	Share premium \$'000	Treasury shares \$'000
At 1 January 2016	112,069,738	1,121	-	(7,810)
Sale of EBT shares	-	-	-	30
At 31 December 2016	112,069,738	1,121	-	(7,780)
Issue of shares	64,428,528	644	191,184	-
At 31 December 2017	176,498,266	1,765	191,184	(7,780)

The par value of Ordinary Shares is \$0.01 per share and all shares are fully paid. The cash consideration for the Lynx Resources acquisition was partially funded by the placing of 49,150,000 shares to institutional investors at £2.30 per share (approximately \$142,945,000 net of issue costs) allotted on 12 October 2017. In addition, the fair value of the 15,278,528 Ordinary Shares issued on 6 November 2017 as part of the consideration paid (\$48,883,000) was based on the published share price on 6 November 2017 of £2.44 per share translated at the USD/GBP spot exchange rate of 1.31124.

27. CURRENCY TRANSLATION RESERVE

Currency translation differences arose primarily on the translation on consolidation of the Group's Kazakhstan-based and Macedonian-based subsidiaries whose functional currency is the Tenge and Macedonian Denar. In addition, currency translation differences arose on the goodwill and fair value uplift adjustments to the carrying amounts of assets and liabilities arising on the Kounrad Transaction and Lynx Resources acquisition which are denominated in Tenge and Denar. During 2017, a non-cash currency translation gain of \$7,989,000 (2016: gain of \$1,034,000) was recognised within equity.

28. 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 2017, 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 166,827 nil-cost options, which vest on the basis of a third annually, without any performance conditions due to his Non-Executive role.

As at 31 December 2017, 180,000 (2016: 180,000) Old Scheme options and 2,596,043 (2016: 2,315,320) 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:

	2017		2016	
	Average exercise price in \$ per share option	Options (number)	Average exercise price in \$ per share option	Options (number)
At 1 January	0.19	2,495,320	0.22	2,560,361
Granted	0.01	714,836	0.01	762,522
Exercised	0.01	(434,113)	0.01	(827,563)
At 31 December	0.13	2,776,043	0.19	2,495,320

The related weighted average share price at the time of exercise was \$2.97 (2016: \$2.54) per share. Out of the outstanding options of 2,776,043 (2016: 2,495,320), 1,641,618 options (2016: 1,016,084) were exercisable as at 31 December 2017.

An amount of \$2,823,000 (2016: \$2,959,000) 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 2017. Included in this amount is an additional dividend related share option charge of \$620,000 (2016: \$485,000). 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 18) 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 52.

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

Grant – vest	Expiry date of option	Option exercise price \$	Share options (number)	
			2017	2016
Old Scheme:				
21 Feb 08	21 Feb 18	6.42	164,000	164,000
21 Feb 10	21 Feb 20	0.68	16,000	16,000
New Scheme:				
8 May 12	7 May 22	0.01	100,000	100,000
24 Jul 13	23 Jul 23	0.01	60,155	111,843
3 Jun 14	2 Jun 24	0.01	223,001	249,647
8 Oct 14	7 Oct 24	0.01	318,333	480,199
22 Apr 15	21 Apr 25	0.01	499,195	611,109
18 Apr 16	18 Apr 26	0.01	680,523	762,522
21 Apr 17	21 Apr 27	0.01	714,836	–
			2,776,043	2,495,320

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 52.

29. TRADE AND OTHER PAYABLES

	Group		Company	
	31 Dec 17 \$'000	31 Dec 16 \$'000	31 Dec 17 \$'000	31 Dec 16 \$'000
Trade and other payables including accruals	10,626	3,762	4,825	2,511
Deferred consideration (note 6)	4,000	–	–	–
Corporation tax, social security and other taxes	7,772	2,258	154	138
	22,398	6,020	4,979	2,649
Other non-current payables:				
Deferred consideration (note 6)	8,000	–	–	–
	8,000	–	–	–

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

The Group made a provision for the 2017 Kazakhstan corporate income tax liability of \$1,331,000 (2016: \$940,000) having paid an amount of \$11,367,000 in advance during the year (2016: \$8,675,000). \$927,000 was also paid during the year in relation to 2016 corporate income tax. The Group made a provision for the 2017 Macedonian corporate income tax liability of \$4,677,000.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2017

30. DEFERRED REVENUE

The carrying amounts of the deferred revenue-received advances for silver delivery are as follows:

	Group		Company	
	31 Dec 17 \$'000	31 Dec 16 \$'000	31 Dec 17 \$'000	31 Dec 16 \$'000
Current	2,056	–	–	–
Non-current	17,621	–	–	–
	19,677	–	–	–

On 1 September 2016, the Lynx Group entered into a Silver Purchase Agreement with Lynx Metals Limited by netting off its existing loan payable with Lynx Metals (note 7). The prepayments for the purchase of silver are recognised as deferred revenue and are related to the production of silver during the life of the mine. Deferred revenue is recognised in the income statement as the silver is delivered based on the units of production. Management are currently reviewing the fair value of the silver stream (note 6).

31. BORROWINGS

	Group		Company	
	31 Dec 17 \$'000	31 Dec 16 \$'000	31 Dec 17 \$'000	31 Dec 16 \$'000
<i>Secured: Non-current</i>				
Bank loans	141,839	–	89,711	–
<i>Secured: Current</i>				
Bank loans	40,075	–	24,000	–
	181,914	–	113,711	–

The carrying value of loans approximates fair value:

	Carrying amount		Fair value	
	31 Dec 17 \$'000	31 Dec 16 \$'000	31 Dec 17 \$'000	31 Dec 16 \$'000
Ohridska Banka AD Skopje	5,539	–	5,539	–
SG Facility	62,664	–	62,664	–
Traxys	113,711	–	113,711	–
	181,914	–	181,914	–

Current and non-current borrowings includes the long-term loan that was issued for an amount of \$75,000,000 from Societe Generale and Investec (the Senior Facility) obtained in October 2016 with an interest rate of 3 month LIBOR plus 5%, maturing on 30 September 2023.

Bank borrowings from Ohrdiska Bank represents a 4.5% interest rate rollover credit facility of up to MKD 307,500,000, which was partially drawn in four separate tranches:

- \$2,43,000 (MKD 123,000,000) maturing on 30 June 2018;
- \$600,000 (MKD 30,747,000) maturing on 5 September 2018;
- \$1,199,000 (MKD 61,483,000) maturing on 30 November 2018;
- \$1,260,000 (MKD 64,589,000) maturing on 24 February 2018.

The cash consideration payable for the acquisition of Lynx Resources was partly financed by \$120,000,000 in new secured debt facilities provided by Traxys on 22 September 2017. The debt financing agreement forms part of a pre-payment arrangement between the Group and Traxys under which Traxys is advancing funds in expectation of acquiring production from the Group's Kounrad operations. The debt financing agreement has a term of five years, with monthly repayments of \$2,000,000 per month. Additional quarterly repayments (cash sweeps) are required equal to 33% of Kounrad free cash-flow less \$1,000,000 per quarter. Interest is payable at LIBOR plus 4.75%. Security is provided over the shares in CAML Kazakhstan BV, certain bank accounts and the Traxys Kounrad off-take agreement. The agreement contains typical covenants for this type of facility, including financial covenants related to financial performance of the Company's Kounrad operations including a gearing ratio of less than 100% and total debt to Group EBITDA of less than 250%. The following Group subsidiaries are guarantors: Sary Kazna LLP, Kounrad Copper Company LLP and CAML Kazakhstan BV. Kounrad Copper Company LLP is required to maintain a minimum cash balance of \$2,500,000.

During the year, there were repayments of borrowings amounting to \$8,362,000.

The fair value of borrowings has been calculated by discounting the expected future cash flows at contracted interest rates.

As at 31 December 2017, the Group measured the fair value using techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly (Level 2).

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

32. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Group	Asset retirement obligation \$'000	Employee retirement benefits \$'000	Other employee benefits \$'000	Legal claims \$'000	Total \$'000
At 1 January 2016	1,916	-	-	-	1,916
Change in estimate	(22)	-	-	-	(22)
Unwinding of discount	153	-	-	-	153
Exchange rate difference	40	-	-	-	40
At 31 December 2016	2,087	-	-	-	2,087
Acquisition of subsidiary (note 6)	2,746	123	184	440	3,493
Change in estimate	(477)	57	(30)	-	(450)
Unwinding of discount (note 16)	192	-	-	-	192
Exchange rate difference	28	-	-	15	43
At 31 December 2017	4,576	180	154	455	5,365
Non-current	4,576	171	149	423	5,319
Current	-	9	5	32	46
At 31 December 2017	4,576	180	154	455	5,365

A) ASSET RETIREMENT OBLIGATION

The Group provides 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% (2016: 8.07%) representing the risk-free rate (pre-tax) for Kazakhstan. The reduction in estimate in relation to the asset retirement obligation of \$477,000 (2016: \$22,000) is due to a combination of adjusting the provision recognised at the net present value of future expected costs using an inflation rate of 5.59% (2016: 6.02%) and discount rate of 8.07% (2016: 8.07%) 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.

Under current legislation entities operating mining and related activities in Macedonia are required to take remedial action for the land where such activities have occurred based on a plan approved by the Ministry of the Environment as well as in accordance with international best practices. After the ceasing of mining activities the Group is obliged to restore the mining area and to return it to its initial condition. The Group has engaged an independent expert to conduct an independent assessment on the environment of the mining activities of the Group and to prepare assessment of the restoration and the relevant costs connected with the mine, tailing site and the mining properties. The calculation was performed on a basis of this independent assessment performed by an environmental technical expert. The expected current cash flows were projected over the useful life of the mining sites and discounted to 2017 terms using a risk free discount rate of 7.98%. The cost of the related assets are depreciated over the useful life of the assets and are included in property, plant and equipment.

B) EMPLOYEE RETIREMENT BENEFIT

All employers in Macedonia are obliged to pay employees minimum severance pay on retirement equal to two months of the average monthly salary applicable in the country at the time of retirement. The retirement benefit obligation is stated at the present value of expected future payments to employees with respect to employment retirement pay. The present value of expected future payments to employees is determined by an independent authorised actuary in accordance with the prevailing rules of actuarial mathematics.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2017

32. PROVISIONS FOR OTHER LIABILITIES AND CHARGES CONTINUED

C) OTHER EMPLOYEE BENEFIT

The Group is also obliged to pay jubilee anniversary awards at each ten years of continuous service of the employee. Provisions for termination and retirement obligations are recognised in accordance with actuary calculations. Basic 2017 actuary assumptions are used as follows:

- Discount rate: 3.8%
- Expected rate of salary increase: 2.5%

D) LEGAL CLAIMS

The Group is party to certain legal claims and the recognised provision reflects management's best estimate of the most likely outcome.

33. CASH GENERATED FROM OPERATIONS

Group	Note	2017 \$'000	2016 \$'000
Profit before income tax including discontinued operations		49,801	32,758
Adjustments for:			
Depreciation and amortisation	19,20	10,927	5,083
Amortisation of deferred revenue – received advances for silver delivery		(304)	–
Gain on disposal of property, plant and equipment		–	(64)
Foreign exchange (gain)/loss		(3,349)	1,234
Share based payments	28	2,823	2,959
Finance income	15	(5,597)	(67)
Finance costs	16	2,319	158
Changes in working capital:			
Inventories	24	(1,259)	(288)
Trade and other receivables	23	3,868	3,241
Trade and other payables	29	1,113	(268)
Provisions for other liabilities and charges	32	70	–
Cash generated from operations		60,412	44,746

34. COMMITMENTS

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

Group	31 Dec 17 \$'000	31 Dec 16 \$'000
Property, plant and equipment	762	424
Other	154	946
	916	1,370

35. DIVIDEND PER SHARE

In line with the Company dividend policy, the Company paid \$23,146,000 in 2017 (2016: \$20,360,000) which consisted of a 2017 interim dividend of 6.5 pence per share and a final dividend for 2016 of 10.0 pence per share (2016: interim dividend of 5.5 pence per share and a final dividend for 2015 of 8.0 pence per share).

The Directors will propose a final dividend in respect of the year ended 31 December 2017 of 10.0 pence per share at the forthcoming Annual General meeting (AGM).

36. 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 52.

NON-EXECUTIVE DIRECTORS

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. 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.

In June 2017, Kenges Rakishev sold his 86.09% interest in JSC Kazkommertsbank ('KKB') to JSC Halyk Bank and resigned as Chairman of KKB in July 2017. The Group uses the facilities of KKB and JSC Halyk Bank within Kazakhstan for its normal day-to-day banking.

Kenges Rakishev has an interest in other finance and insurance entities in Kazakhstan. The Group has insurance relationships with such entities and has made an insurance claim under which a syndicate of insurers, including some related to Kenges Rakishev, have a potential liability.

In September 2017, Kenges Rakishev sold 10,605,875 ordinary CAML shares of \$0.01 each at a price of 230 pence per share. In February 2018, he sold his remaining shareholding of 10,605,876 ordinary shares at a price of 275 pence per share.

During the year, the Group paid consultancy fees of \$75,000 (2016: nil) to Nurlan Zhakupov, a Non-Executive Director of the Company, under a consultancy agreement in terms of which Mr Zhakupov provides services over and above his normal duties.

37. DEFERRED INCOME TAX LIABILITY**GROUP**

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

	At 1 January 2017 \$'000	Lynx Resources acquisition \$'000	Currency translation differences \$'000	(Debit)/credit to income statement \$'000	At 31 December 2017 \$'000
Other timing differences	(82)	-	(2)	(37)	(121)
Deferred tax liability on fair value adjustment on Kounrad Transaction	(8,459)	-	(31)	387	(8,103)
Deferred tax liability on fair value adjustment on Lynx acquisition (note 6)	-	(21,558)	(745)	166	(22,137)
Deferred tax liability, net	(8,541)	(21,558)	(778)	516	(30,361)

A taxable temporary difference arose as a result of the Kounrad Transaction and Lynx Resources Limited acquisition, 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 these taxable temporary differences has been reduced by \$553,000 during the year (2016: \$2,867,000) to reflect the tax consequences of depreciating and amortising the recognised fair values of the assets during the year.

	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)

	At 31 December 2017 \$'000	At 31 December 2016 \$'000
Deferred tax liability due within 12 months	(1,597)	(352)
Deferred tax liability due within 12 months	(28,764)	(8,189)
Deferred tax liability, net	(30,361)	(8,451)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2017

37. DEFERRED INCOME TAX LIABILITY CONTINUED

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 \$8,758,000 (2016: \$7,991,000) as there is insufficient evidence of future taxable profits within the entities concerned. Unrecognised losses can be carried forward indefinitely.

At 31 December 2017, the Group had other deferred tax assets of \$2,195,000 (2016: \$1,543,000) 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 2017 and 2016, respectively.

COMPANY

At 31 December 2017 and 2016 respectively, the Company had no recognised deferred tax assets or liabilities.

At 31 December 2017, the Company had not recognised potential deferred tax assets arising from losses of \$8,218,000 (2016: \$7,355,000) as there is insufficient evidence of future taxable profits. The losses can be carried forward indefinitely.

At 31 December 2017, the Company had other deferred tax assets of \$2,195,000 (2016: \$1,543,000) in respect of share based payments and other temporary differences which had not been recognised because of insufficient evidence of future taxable profits.

38. EVENTS AFTER THE REPORTING PERIOD

KAZAKHSTAN VAT RECOVERABILITY

As at 31 December 2017 a total of \$2,703,000 (2016: \$2,838,000) of VAT receivable was still owed to the Group by the Kazakhstan authorities. A portion of this amount totalling \$233,000 was refunded from the authorities in January 2018 and has been classified as current trade and other receivables as at 31 December 2017.

LYNX RESOURCES ACQUISITION

In March 2018, a final determination was reached with regards to the purchase price, pursuant to the share purchase agreement. Consistent with the closing account mechanics of the agreement, the amount of \$3,300,000 was received from the sellers in April 2018. This amount was recognised as a current receivable as at 31 December 2017.

DIRECTORS, SECRETARY AND ADVISORS

BOARD OF DIRECTORS

Nick Clarke, 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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