

CENTRAL
ASI
METALS
PLC

THROUGH THE CYCLE SUSTAINABLY

ANNUAL REPORT AND ACCOUNTS 2019



STRATEGIC REPORT

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CENTRAL ASIA METALS IS A DIVERSIFIED RESOURCES COMPANY THAT OPERATES LOW COST MINERAL ASSETS IN NORTH MACEDONIA AND KAZAKHSTAN

FINANCIAL HIGHLIGHTS

EBITDA margin

60%

2018: 61%

Dividend full year

6.5p

2018: 14.5p

Kounrad C1 copper
cash cost

\$0.52/lb

2018: \$0.54/lb

Sasa C1 zinc equivalent
cash cost

\$0.47/lb

2018: \$0.46/lb

See page 41 for definition of non-IFRS alternative performance financial measures.



OPERATIONAL HIGHLIGHTS

SASA, NORTH MACEDONIA

Zinc in concentrate production of 23,369 tonnes
(2018: 22,532 tonnes)

Lead in concentrate production of 29,201 tonnes
(2018: 29,388 tonnes)

KOUNRAD, KAZAKHSTAN

Copper cathode production of 13,771 tonnes
(2018: 14,049 tonnes)

Copper sales of 13,600 tonnes
(2018: 14,081 tonnes)

CORPORATE

Lost-time injury frequency rate ('LTIFR') of 0.42
(2018: 3.76)

Debt repayments of \$38.4 million

Appointment of Dr Gillian Davidson as an
Independent Non-Executive Director and Chair of
the Sustainability Committee in November 2019

Nick Clarke transitions to Non-Executive
Chairman from 1 January 2020

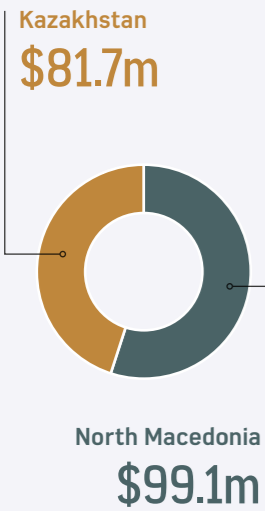
For more info, visit us online:
www.centralasiametals.com

AT A GLANCE

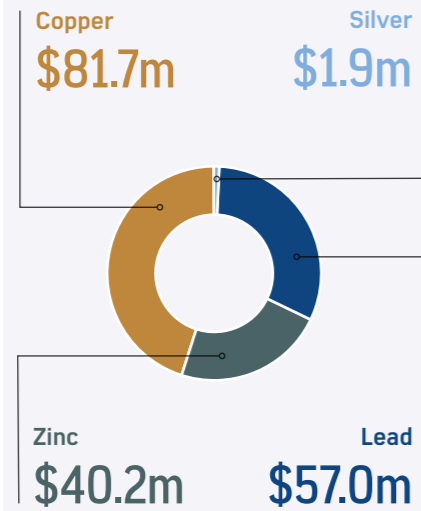
UNLOCKING VALUE IN BASE METALS

Central Asia Metals (‘CAML’) is a diversified mining company with two low-cost operations producing three base metals essential for modern living.

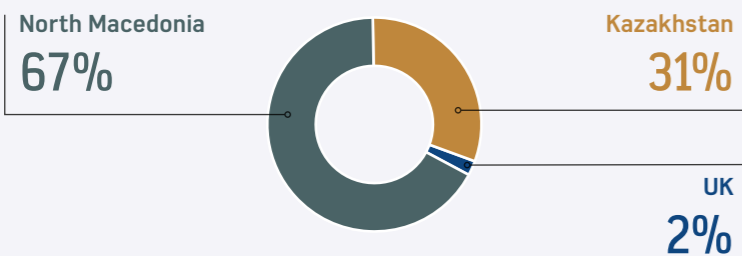
REVENUE BY GEOGRAPHY



REVENUE BY METAL



EMPLOYEES BY GEOGRAPHY



1 Silver sold to Osisko Gold Royalties, in accordance with its streaming agreement.

KAZAKHSTAN

KOUNRAD OPERATION
→ COPPER



KOUNRAD

OVERVIEW

In 2012, CAML completed construction and began producing copper from the Kounrad in-situ dump leach and solvent extraction electro-winning (‘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 to continue until the end of the licence period in 2034. Since production commenced, 96,245 tonnes of copper have been produced at Kounrad, at costs that are amongst the lowest in the world.

Life of operation, to

2034

2019 copper sales

13,600t

2019 copper production

13,771t

Estimated remaining recoverable copper resources

160,000t

→ For operations in Kazakhstan see page 26

NORTH MACEDONIA

SASA MINE

- ZINC
- LEAD
- SILVER



SASA

OVERVIEW

Sasa is a zinc, lead and silver mine in North Macedonia, approximately 150 kilometres 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 nearby smelters.

In 2019, the mine produced 23,369 tonnes of zinc in concentrate and 29,201 tonnes of lead in concentrate.

Life of mine

18 years

Probable Reserve (2020)

8.9mt

Zinc grade

3.1%

Lead grade

3.9%

→ For operations in North Macedonia see page 20

CHAIRMAN'S STATEMENT



NICK CLARKE, CHAIRMAN

ENSURING WE ARE SUSTAINABLE FOR ALL STAKEHOLDERS

2019 was another good year for CAML. While commodity markets were challenging with lower year-on-year metal prices prevailing, we have managed to maintain strong financial margins and generate significant profits and cash flow.

OPERATIONAL AND FINANCIAL EFFICIENCY

As we report our results, we are in the midst of the COVID-19 pandemic. The challenges and outlook for our health, our business and the global economy are changing daily. Our priority during this time is the welfare of our employees and contractors.

Strong 2019 production from our operations led to CAML EBITDA of \$108.6 million and free cash flow of \$69.8 million. This has, in turn, meant we continued to deleverage and we ended the year with gross debt of \$108.8 million, some \$36.1 million lower than 2018.

We have now been listed on the AIM market of the London Stock Exchange for almost ten years and have been producing copper at our Kounrad facility in Kazakhstan for eight years. In the first half of 2020 we expect to achieve the significant milestone of 100,000 tonnes of copper production from Kounrad. We are proud that this copper has been produced from what was waste material, and at costs that are amongst the lowest in the world.

We grew in 2017 by acquiring the Sasa zinc and lead mine in North Macedonia and we have successfully integrated this operation into our business. We have made significant advances since we bought the mine, having made many incremental improvements in optimising operations and making the recent decision in principle to change our mining method for the long term.

Indeed, we have since our listing generated gross revenue of \$831.8 million and EBITDA of \$502.3 million, and we have returned to shareholders in dividends \$176.4 million or 97.7 pence. Despite this strong long-term performance, we are currently recommending no final dividend for 2019. While we have a robust balance sheet and low cost operations, the situation regarding COVID-19 and its potential impact on the global economy and our operations remains uncertain and is rapidly changing, so we believe that, currently, preserving cash is the most prudent approach.

RECOGNISING ALL OUR STAKEHOLDERS

In addition to our supportive shareholders, we recognise that there are many other stakeholders in our business such as our employees, the communities which surround our operations, host governments and suppliers, to name a few.

We have contributed meaningfully to the economies of the countries in which we operate, employing over 1,000 people across Kazakhstan and North Macedonia, and providing real financial

I was particularly proud of the support that we provided to the Kind Heart Centre in Balkhash, Kazakhstan.

NICK CLARKE, CHAIRMAN

Free cash flow

\$69.8m

2018: \$73.8m (adjusted)

Dividend per share

6.5p

2018: 14.5p

support and time to important social development programmes. I was particularly proud of the financial and practical support that we provided to the Kind Heart Centre for disabled children in Balkhash, Kazakhstan, as we purchased and refurbished a day care building for the charity.

SUSTAINABILITY

2019 has rightly been a year of increased focus on sustainability and environmental, social and governance (ESG) both in the investment community as a whole and in particular in the extractives industries. While we have had a site-based Sustainability Director since 2013, during the year we have revisited our approaches and policies to keep abreast of current developments.

In 2019, I took part in an ESG investor roadshow, where we approached some of our major shareholders to ask what they expect to see from us in terms of governance and sustainability, and their important feedback has informed some of the paths that we have taken.

We will soon be publishing our first standalone Sustainability Report, which is to cover the activities of 2019 and our general approach and strategy with regard to sustainability, as we recognise the growing interest in us providing increased granularity and numerical metrics in this regard.

Sustainability is a wide-ranging and crucial topic and we believe that this forthcoming report will provide our investors and other stakeholders with a greater understanding of our efforts and achievements in this important aspect of our business. We hope that it will be seen as a big and positive step in our sustainability journey and no doubt there will be areas for continued improvement going forwards.

BOARD CHANGES

I was delighted to announce the appointment of Dr Gillian Davidson to the CAML Board in November 2019. She is an experienced company director, whose sustainability knowledge has already been invaluable in guiding the Company forwards to continually improve in this important area.

While I remain Chairman of CAML, my role has now transitioned from an executive position to becoming Non-Executive Chairman and I have therefore taken a step back from the day to day running of the Company. This change is part of a long-term succession plan that was initially implemented when I moved from CEO to Executive Chairman four years ago. This enabled Nigel Robinson and Gavin Ferrar to grow into their current roles as CEO and CFO respectively and I am confident that they are very capable of managing our business. My efforts going forward will centre on governance and succession planning to ensure that we continue to plan for the long-term sustainable future of CAML.

ACKNOWLEDGEMENTS AND OUTLOOK

I would like to thank the Board of Directors, our senior management team and all of our employees for their dedication to our business during 2019. Your efforts do not go unnoticed and we very much appreciate your hard work.

NICK CLARKE
NON-EXECUTIVE CHAIRMAN
31 March 2020



Opening the Kind Heart Centre in Balkhash

OUR VALUES AND CULTURE

AN OPEN AND TRANSPARENT BUSINESS

OUR PURPOSE

Our purpose is to produce base metals, which are essential for modern living, profitably in a safe and sustainable environment for all our stakeholders.

We promote low-cost, sustainable and ethical metal production to benefit our workforce, local communities, host governments and shareholders. We enrich communities close to our operations with employment opportunities and education, sports facilities, medical care and help for underprivileged members of society. Focus on environmental responsibilities remains key to our business strategy.

The metals we produce are essential for modern living and a technologically advancing future. They play a key role in transmitting power and transporting people in order to foster economic growth and development.

OUR CULTURE

Since inception of the Company, our culture has been to operate in an open and transparent manner and develop a long-term and sustainable business. CAML as a business has been built around embracing technology and continues to operate with an enterprising spirit.

OUR VALUES

Our values inform the behaviour and standards expected of all our colleagues in the business regardless of location or role of that individual. Our employees are the essence of the Company and their conduct affects our work ethic, the decisions we make and our performance.

We encourage our people to take ownership of their work, lead by example, and set achievable goals. Through this we facilitate improvement in our processes and practices enabling us to meet the targets we set ourselves.

Accountability for us means defining our responsibilities and fulfilling our commitments to our partners, employees and stakeholders. This means delivering on our objectives and goals efficiently in respect of time and cost.

OUR VALUES

HEALTH & SAFETY



The safety of our employees is a core value and we are passionate about protecting the health and wellbeing of our people. We work hard to monitor, assess and mitigate all the risks that could potentially cause harm to our employees. We strive to ensure that every individual within the Company understands that safety is their responsibility.

SUSTAINABILITY



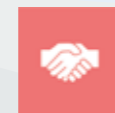
Taking responsibility for sustainable development is our core objective and its importance is considered in each decision that we make. We aim to positively affect our employees and local communities, while minimising any adverse impacts on the natural environment.

EFFICIENCY AND INNOVATION



We encourage our team to embrace change and commit to continuing to bring technology and innovation together to improve our operations. This approach helps us to use our resources wisely and efficiently in achieving long-term sustainable production.

RESPECT AND TRUST



We encourage open and constructive communications with team members and value collaborative working. We accomplish transparency through fair and open communication with all key stakeholders built on disclosure, clarity, and accuracy. We are open to recognising our faults and improving practices.



Training at Kounrad

CHIEF EXECUTIVE OFFICER'S STATEMENT



NIGEL ROBINSON, CHIEF EXECUTIVE OFFICER

A ROBUST OPERATIONAL PERFORMANCE

We have enjoyed a successful year at CAML, having delivered copper production above guidance at Kounrad and zinc and lead production on target at Sasa, at costs that remain, on average, within the lowest industry quartile of the copper cost curve.

2019 OVERVIEW

Sasa produced 23,369 tonnes of zinc in concentrate and 29,201 tonnes of lead in concentrate at a C1 zinc equivalent cash cost of production of \$0.47 per pound, which is comparable to prior years.

Our Kounrad operations continued to perform well, delivering copper cathode output of 13,771 tonnes, which exceeded production guidance. Kounrad's 2019 C1 copper cash cost of production was \$0.52 per pound, demonstrating once again that the operation is one of the lowest cost in the world.

Despite challenging 2019 commodity prices, due to continuing trade wars between the USA and China and an increase in zinc and lead mine supply, our robust operational performance resulted in gross revenue of \$180.8 million and EBITDA of \$108.6 million, and we maintained our strong margin of 60%.

We have continued to deleverage during 2019, having repaid a further \$38.4 million of our debt, plus the remainder of the \$12.0 million deferred consideration that was owed to the Sasa vendors. We ended 2019 in a net debt position of \$80.2 million, with cash in the bank of \$32.6 million (including restricted cash). We view this as a positive development given that CAML had debt of almost \$200 million on acquiring Sasa in November 2017. The Group generated 2019 free cash flow of \$69.8 million.

Our decision not to recommend a final 2019 dividend was a difficult one, but we firmly believe that preservation of cash is key, given the current uncertainty and as yet unquantifiable impact of the COVID-19 pandemic. We intend to revisit this decision during 2020 as and when there is increased clarity on the impact of the virus. We have over 1,000 employees and are determined to look after their welfare as best as we can in the current environment.

SUSTAINABILITY

This strong economic and financial performance underpins our business and we place significant emphasis on ensuring that we are sustainable for all stakeholders. To demonstrate our credentials in this area, we will soon be publishing our first Sustainability Report, which will provide quantitative data to support material sustainability topic areas for us and other stakeholders.

We remain focused on safety and are pleased to report a significant improvement in performance in 2019, with a LTIFR of 0.42, which represents a decrease of 86% from 2018 and compares well

We spent \$0.6 million at Sasa and Kounrad supporting the local communities.

NIGEL ROBINSON, CHIEF EXECUTIVE OFFICER

LTIFR

0.42

2018: 3.76

Gross revenue

\$180.8m

2018: \$204.2m

with wider industry standards. Whilst the number of lost-time injuries (LTIFR) reduced from eight in 2018 to only one in 2019, we are committed to achieving a zero-harm workplace.

During 2019, we spent \$0.6 million at Sasa and Kounrad supporting the local communities. This is a vital aspect of what we do in the areas close to the operations and, as a result, we enjoy good relations with our neighbours and we believe we have brought some real positive change. We established the Kounrad Foundation for charitable donations in 2018 and, during 2019, we committed to establishing a similar Sasa foundation to formalise charitable donations that should be operational during 2020.

We have completed construction of our new tailings storage facility 4 (TSF4) in North Macedonia, which is of downstream construction and has been fully lined in accordance with industry best practice. Our facilities have been reviewed by external expert consultants and we have complied fully with all disclosure requirements in the 2019 Investor Mining & Tailings Safety Initiative, which is governed through a steering committee chaired by the Church of England Pensions Board.

SASA

At Sasa, we have during the year identified many opportunities for incremental improvement, such as using 3D technology as a basis for our mining, geological and ventilation work. We are in the process of installing internet underground to enable better analysis of availability and utilisation of equipment, plus improved communications and health and safety. At surface, we have installed two new crushers during the year, which should allow us to comfortably increase production to a run rate of approximately 850,000 tonnes per annum.



Training at Kounrad

In 2019, our Life of Mine study primarily focused on whether Sasa's mining method should be changed from the current sub-level caving operation to a more selective cut and fill stoping, and the Board has made the decision in principle to make this transition. This should optimise our production while allowing the storage of potentially over 40% of our tailings underground. Detailed technical study work will continue throughout 2020.

KOUNRAD

During the year at Kounrad, leaching operations performed well, as did the SX-EW processing facilities which achieved availability of over 96%. We continued to transition the leaching operations from the Eastern Dumps to the Western Dumps and during 2019, 68% of the copper produced came from the west. This trend is expected to continue over the next three years by which time all production will come from the Western Dumps.

Capital expenditure remained very low at \$1.6 million, comprising some replacement anodes and cathodes, plus increasing our footprint of leaching infrastructure and collector trenches around the Western Dumps.

MARKET PERFORMANCE

At the end of 2019, the CAML share price closed up 1.4% at £2.20 and the FTSE AIM All Share/Basic Resources Index performed in a similar manner, gaining 1.8% during the year. The average prices received of the commodities that CAML produces were lower than those received in 2018. The CAML share price performance was likely also affected by investor concerns regarding liquidity.

CHIEF EXECUTIVE OFFICER'S STATEMENT CONTINUED

EBITDA

\$108.6m

2018: \$125.3m

EBITDA margin

60%

2018: 61%

OUTLOOK

The outlook for 2020 is uncertain given the severity of the COVID-19 pandemic and our immediate priority is the welfare of our employees and contractors.

Currently, we reiterate our previously announced production guidance for Sasa, which has increased year-on-year to between 23,000 and 25,000 tonnes of zinc and between 30,000 and 32,000 tonnes of lead, generated from higher throughput levels of between 825,000 tonnes and 850,000 tonnes. Likewise, we maintain our Kounrad copper production guidance of 12,500 to 13,500 tonnes. We are facing some headwinds due to the current weak commodity prices exacerbated by COVID-19, coupled with increased 2020 global zinc and lead treatment charges.

We have to date encountered no disruption to either the production or sale of our copper or our zinc and lead concentrates, but we are very conscious that the situation could change swiftly in the coming weeks and months. We will continue to monitor the COVID-19 position daily in both countries of operation and respond to the threats accordingly to protect both our employees and our business interests.

Throughout this uncertainty, we will continue to maintain strong health and safety and environmental standards at both of our operations and we will strengthen our relationships with the local communities by also working closely with them on overcoming the difficulties posed by the COVID-19 pandemic.



NIGEL ROBINSON
CHIEF EXECUTIVE OFFICER
31 March 2020




Drilling at Sasa

STRATEGY

OUR STRATEGIC GOALS AND MEASURES

2019 saw our team focused on maximising value from Sasa and Kounrad and we believe that we have to date achieved this, and we will continue to optimise our operations going forward. Kounrad 2019 copper production exceeded guidance and Sasa 2019 production was delivered at the top end of the guidance range for zinc and lead. We have delivered another year of strong profits and cash flow and also deleveraged our balance sheet.

We aim to strike the right balance for our shareholders in terms of capital allocation. Reducing debt and continuing to pay the sector leading dividends, for which we have become known, is a priority, yet we remain mindful of the challenges of our scale and liquidity so keep a watchful eye on potential growth opportunities.

Strategic goal	Risks	Measures in 2019	
Safe and efficient operations  → Safely extracting maximum value from Kounrad and Sasa	Operational	Zinc production 23,369t (2018: 22,253t)	Lead production 29,201t (2018: 29,388t)
		Copper production 13,771t (2018: 14,049t)	
Maintain low production costs  → Continued focus on maintaining CAML's Group position firmly in the lowest quartile of the C1 copper equivalent cost curve → Continued capital cost control at both operations	Operational External	Sasa C1 zinc equivalent cash cost \$0.47/lb (2018: \$0.46/lb)	Kounrad C1 copper cash cost \$0.52/lb (2018: \$0.54/lb)
		Group EBITDA margin 60% (2018: 61%)	Group capital expenditure \$11.0m (2018: \$14.8m)
Maintain high sustainability standards  → Putting the safety of our employees above profits → Looking after our operating environment → Enhancing the local communities → Contributing to the development of the economies in which we operate	Operational	Total social contributions \$0.6m (2018: \$0.6m)	Group LTIFR 0.42 (2018: 3.76)
		Total tax paid in-country \$35.1m (2018: \$43.9m)	
Increase shareholder value  → Reward shareholders with attractive dividends → Deleverage our balance sheet → Continue to appraise business development opportunities	Operational External	Dividends paid \$32.2m (2018: \$39.6m)	Debt repayments \$38.4m (2018: \$38.5m)
		Earnings per share 29.36 cents (2018: 31.33 cents)	

→ For principal risks and uncertainties see page 44-47

BUSINESS MODEL

HOW WE GENERATE VALUE FOR ALL OF OUR STAKEHOLDERS

OPERATING WITH EXCELLENCE

People, knowledge and experience



- We are proud of the experienced and capable teams that we have at Sasa and Kounrad and now employ over 1,000 people, with less than 10 expatriates combined at both of our sites.
- We provide wide-ranging training programmes for our operational teams and in some cases tertiary education for key talent.
- We have a strong Board with complementary skills and a London-based senior management team.
- We have a 14 year operational track record in Kazakhstan, with senior Board representation from Non-Executive Director Nurlan Zhakupov.

Sasa local workforce

99%

Kounrad local workforce

100%

Efficient extraction



→ Mining ore

Sasa is a conventional underground mine and ore is treated by froth flotation to produce separate zinc and lead concentrates.

During Q4 2019, a third crusher was installed and is expected to allow for increased future annual plant throughput up to 850,000 tonnes.

CAML plans to transition to cut and fill stoping at Sasa from the current sub-level caving method, which is expected to lead to improved reserve grades for both zinc and lead and increased metal production over the life of the mine.

Sasa currently has reserves and resources to support an 18-year mine life.

Sasa 2019 ore extraction

817,714t
(2018: 803,101t)

→ In-situ dump leaching

CAML has now had eight years of successful leaching at Kounrad. The SX-EW plant produces copper cathode in a relatively simple and reliable processing facility, with the capacity to produce 50 tonnes of cathode daily.

Kounrad has 160,000 tonnes of estimated remaining recoverable copper resources, which should ensure a life of operation to the end of the licence in 2034.

Kounrad estimated remaining recoverable copper resources

160,000t

Low-cost operations



→ Processing

Capital and operational cost control at both operations.

Sasa on-site 2019 costs of only \$40.3 per tonne (2018: \$38.8 per tonne).

Kounrad is one of the lowest cost copper producers globally.

Maintaining low costs at both of our operations underpins our profitability, allowing us to look after our stakeholders and to reward shareholders with attractive dividends.

Sasa C1 zinc equivalent cash cost

\$0.47/lb
(2018: \$0.46/lb)

Kounrad C1 copper cash cost

\$0.52/lb
(2018: \$0.54/lb)

DELIVERING VALUE FOR ALL OF OUR STAKEHOLDERS

We have an economically robust business that underpins our ability to generate profits and dividends for our shareholders and ensure that our successes are felt by our other important stakeholders.

Investors

2019 EPS 29.36 cents
(2018: 31.33 cents)

Employees

Sasa 698 (2018: 684)
Kounrad 323 (2018: 340)

Dividend full year 2019

6.5p
(2018: 14.5p)

Total number of CAML employees and contractors

1,230

Communities

Sasa social contributions 2019

\$0.3m
(2018: \$0.3m)

Kounrad social contributions 2019

\$0.3m
(2018: \$0.3m)

Governments

Tax paid in North Macedonia since November 2017 acquisition

\$36.5m

Tax paid in Kazakhstan since 2012

\$143.0m

Suppliers

Sasa % local procurement¹

59%

¹ Locally includes North Macedonia

Kounrad % local procurement²

73%

² Locally includes Karaganda region

SUSTAINABILITY UNDERPINS

OUR BUSINESS MODEL

PRODUCING THE METALS ESSENTIAL FOR MODERN LIVING

Modern society is increasingly dependent on new technology and, as the world moves away from fossil fuels towards renewable energy, these two factors will bring increased demand for certain metals, such as copper. Copper is an essential component of electric motors, wiring and electronics and, as such, will be a major component of electric vehicles. Zinc is an essential metal in today's society given its use in coating steel and preventing corrosion. In this manner it prolongs the life of metal products, reducing the need for replacement.

With sustainability now taking centre stage in the corporate world, it is important to recognise the mining industry for the positives that it brings to society. Nearly every mineral and metal in use in modern life is the product of some form of mining. Demand for metals is growing and, as world population increases and countries develop and as technology advances, the need for these commodities will continue to rise. Population growth and economic development, as reflected by rising GDP per capita, have historically been key drivers of global demand for commodities.

WHY DO WE NEED BASE METALS?

These are the basic building materials for much of the world around us, and are widely used in construction, manufacturing, transportation, energy transmission and storage, all of which foster economic growth and development. There is currently no affordable substitute for the metals that CAML produces.

WHY CAN'T WE RELY 100% ON RECYCLING?

If we were to recycle all the freely available metals in the world today, we would only be able to generate a very small percentage of the metals needed by society. This is for three key reasons:

- Growing global population
- Metals remain in use for many years therefore are unavailable for recycling
- Low quality scrap recycling can do more harm than good for the environment

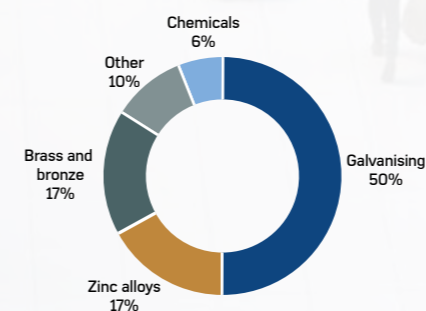
On average, over 30% of copper supply annually is from recycled sources and around 30% of zinc. The lead industry is already at the leading edge of metal recycling, with this 'secondary lead' providing a significant percentage of lead demand annually. Lead has one of the highest recycling rates of modern metals globally, and it is estimated that almost 75% of all lead used in the USA and Europe is produced through recycling processes.

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

BRUNDTLAND REPORT, 1987

ZINC

USAGE



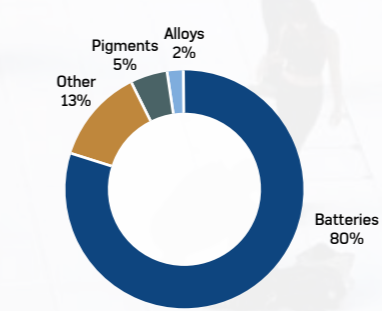
Around 50% of global zinc is used for galvanising, whereby a protective coating of zinc is applied to steel or iron. Galvanising protects the steel or iron by preventing corrosive substances from reaching the metals and by corroding first. Steel and iron that are not adequately galvanised will rust and weaken over time, resulting in premature replacement.

Long-term durability provided by galvanising is achieved at a relatively low environmental burden, with several studies demonstrating high economic and environmental costs associated with repeated maintenance and replacement of steel structures.

One of the less well-known uses for zinc is in nutritional supplements. It is estimated that almost 0.5 million undernourished children are at risk of dying each year from zinc deficiencies. Taking zinc regularly can treat stomach upsets, improve immunity, blood sugar levels and the function of the eyes, heart and skin.

LEAD

USAGE



Lead is an essential ingredient in the lead-acid storage batteries used in motor vehicles and over 80% of global lead demand is for batteries. Lead batteries are also very efficient at storing energy generated by clean, green power sources such as wind and solar.

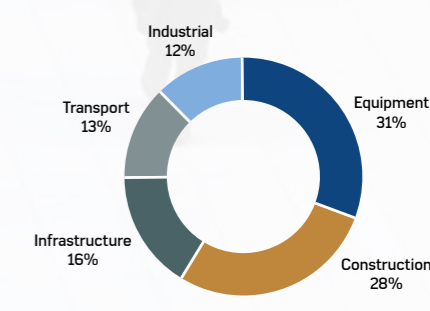
Currently, a billion vehicles worldwide use a lead-acid battery to start their engines, with such transportation of people and goods fostering economic growth and development around the world.

Hybrid and fully electric vehicles also require lead-acid batteries in conjunction with other battery technologies such as lithium-ion.

Lead batteries are also critical for fuel-saving technologies such as start-stop technology and powering exhaust-free industrial vehicles such as fork-lift trucks.

COPPER

USAGE



About 60% of all copper demand is for electrics such as wires, cables and connectors as it is an excellent conductor of electricity. Approximately 20% of copper is used in construction for applications such as plumbing and copper tubes.

Copper plays a key role in information and communications technologies. Going forward, the need for copper in the electric vehicle revolution is expected to generate significant new demand as the world strives to reduce carbon emissions and arrest global warming. Where an internal combustion car uses approximately 22 kilogrammes of copper, the average electric vehicle contains almost four times that amount. In addition, each charging station also uses approximately 0.7 kilogrammes of copper.

Copper has unique properties known to kill many germs on contact so many hospitals are moving to use copper door handles and taps for their antibacterial properties. Such developments are important for our health with the rise of antibiotic resistant superbugs. The human body also needs traces of copper, as it plays an essential role in generating red blood cells, maintaining the immune system and helping the body to absorb iron.

If it's not grown, it's mined.

Sources: ICM, ICSG, ILZSG, ILA, World Bank

MARKET OVERVIEW CONTINUED

During 2019, Kazakhstan and North Macedonia continued to be stable jurisdictions for the mining industry. US - China trade tensions continued to be the dominant factor restricting, higher global growth, which is a vital driver for base metals demand and prices.

NORTH MACEDONIA

Despite the name change to North Macedonia in February 2019, which was a longstanding dispute with Greece that blocked the country from joining the EU and NATO, the EU leaders in October 2019 were unable to give North Macedonia a date to start EU membership negotiations. On 17 March 2020, North Macedonia became 30th member of NATO after the Spanish Senate ratified its accession.

According to the IMF, North Macedonia's real GDP is expected to have grown by 3.2% in 2019 and inflation, which is largely driven by Euro area inflation and energy prices, was low.

Global mine output rose by 118,000 tonnes or 0.9% in 2019, due to the ramp-up of key zinc mines, according to the International Lead and Zinc Study Group (ILZSG). For 2020, the ILZSG forecasts global mine growth of 4.7% due to significant ramp-ups and mine restarts.

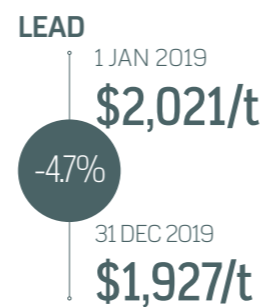
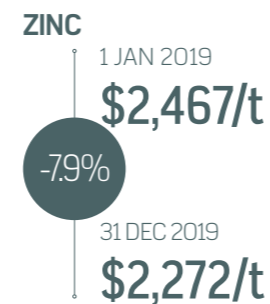
As a result of the growing availability of concentrate, treatment charges have risen significantly. Chinese smelters have increased production back up to 100% of capacity after environmental restrictions were eased, which has increased the availability of refined metal and capped the zinc price. ILZSG reported a 2019 global refined zinc deficit of 189,000 tonnes, a contrast to the 522,000 tonne shortfall seen in 2018. The annual deficit continues to suggest a rather tight refined zinc market, but supply/demand dynamics are currently uncertain for 2020 due to COVID-19.

While total global stocks of refined lead metal remained at historical lows throughout 2019, the market balance switched from a deficit of 53,000 tonnes in 2018 to surplus of 9,000 tonnes in 2019. The ILZSG currently forecasts a refined market surplus of 55,000 tonnes in 2020, although market outlook is increasingly uncertain due to COVID-19.

In 2020 lead supply/demand is expected to be impacted by weak demand for refined metal from automotive industry, although supply disruptions are expected to be higher than usual.

During 2019, lead treatment charges trended higher due to an increase in the availability of global recycled supply in China and the ability of top submerged lance (TSL) smelters to substitute up to 50% of concentrate with secondary lead. The H2 2019 temporary closure of Nyrstar's Port Pirie resulted in the availability of additional lead concentrate which supported the treatment charge increases.

Continued tightness in the global refined lead market coupled with the already low inventory levels is expected to lend support to the metal's price during 2020.



KAZAKHSTAN

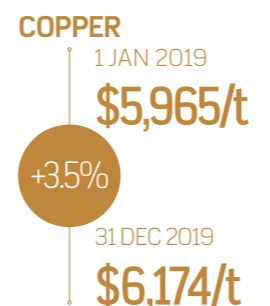
Nursultan Nazarbayev's resignation was arguably the most significant political development in Central Asia in recent memory. New president Kassym-Jomart Tokayev continued to implement the country's strategic goals of making Kazakhstan an open society and one of the world's most competitive nations.

According to the National Bank of Kazakhstan, Kazakhstan's GDP is expected to have grown by 4.5% during 2019. Inflation was 5.4%.

The global economic downturn and the US-China trade wars led to an overall underperformance in global copper consumption growth during 2019, although the price improved in Q4 2019 due to perceived progress in the 'phase one' trade negotiations.

While the COVID-19 pandemic brings significant market uncertainty, the International Copper Study Group (ICSG) has forecast that refined copper usage in 2020-21 will increase year on year by 1.5%, owing in part to sustained economic growth in the United States. The ICSG calculated that the global refined copper market was in a deficit of 320,000 tonnes last year. Its forecast for 2020 remains a surplus of 280,000 tonnes, although that surplus is expected to fall to 100,000 tonnes in 2021.

As in prior years, the copper price will continue to be affected by material speculative positions.



FINANCIAL MARKETS AND CAML SHARE PRICE

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 strong operational performance, low production costs and typically high dividend yield.

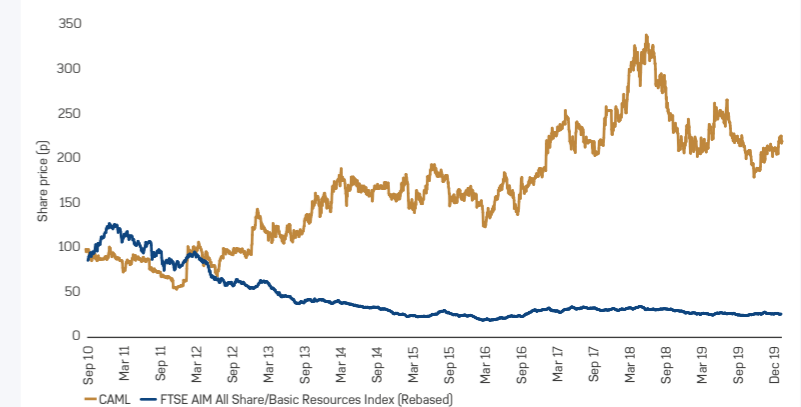
During 2019, the CAML share price closed at £2.20, which represents a 1.4% increase (31 December 2018: £2.17). The FTSE AIM All Share/Basic Resources Index performed in a similar manner and gained 1.8% during 2019 (see second graph).

CAML's commodity diversification meant that weaknesses in zinc and lead prices throughout the year were to some extent offset by the copper price, although the average prices received for the commodities that CAML produces were lower than those achieved in 2018.

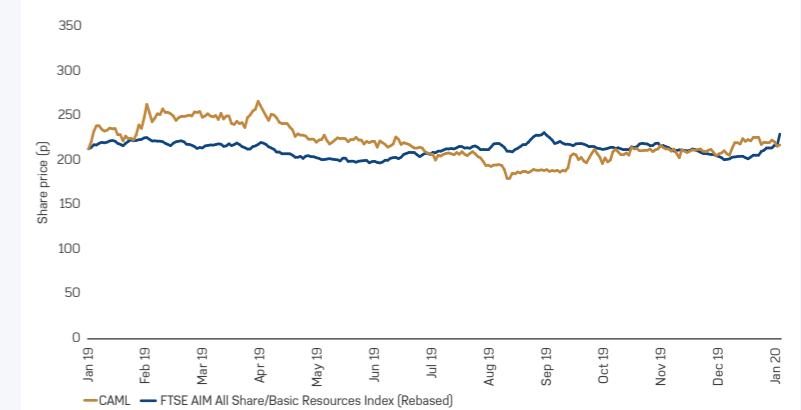
The CAML share price performance was also likely affected by investor concerns regarding the liquidity of small cap stocks in general and the economic uncertainty caused by protracted Brexit negotiations and the associated volatile exchange rates for Sterling. In December 2019, both the economy and the CAML share price responded favourably to the UK General Election result.

The graphs below show CAML's share price performance against the FTSE AIM All Share/Basic Resources Index.

CAML versus AIM Basic Resources (IPO – 2019)



CAML versus AIM Basic Resources (2019)



PRODUCING THREE BASE METALS SUSTAINABLY



SCOTT YELLAND, CHIEF OPERATING OFFICER

In my first full year as CAML's COO, I am pleased that we have delivered production in line with guidance at Sasa and above target at Kounrad. Costs at both operations remained very low by industry standards and capital expenditure at the sites was also well controlled.

Sasa 2019
zinc production

23,369t

➔ For more on Sasa see page 20

Sasa 2019
lead production

29,201t

➔ For more on Sasa see page 20

Kounrad 2019
copper production

13,771t

➔ For more on Kounrad see page 26

SASA NORTH MACEDONIA

During the year, Sasa's operational performance was strong and production of 23,369 tonnes of zinc and 29,201 tonnes of lead in concentrates was delivered, which was at the top end of guidance for both metals. At \$0.47 per pound, Sasa's C1 zinc equivalent cost of production has remained low by industry standards and, despite sector-wide headwinds for treatment charges, the mine's site-based costs should remain competitive.



KOUNRAD KAZAKHSTAN

The Kounrad operation performed well and, in 2019, produced 13,771 tonnes of high-quality copper cathode, which was above the guidance range. The operation continued to transition leaching activities from the Eastern Dumps to the Western Dumps as planned and, during the year, 68% of production was generated from the Western Dumps. By 2023, it is expected that all copper will be leached from the Western Dumps. Kounrad's 2019 cost of copper production at \$0.52 per pound remains amongst the lowest in the world.



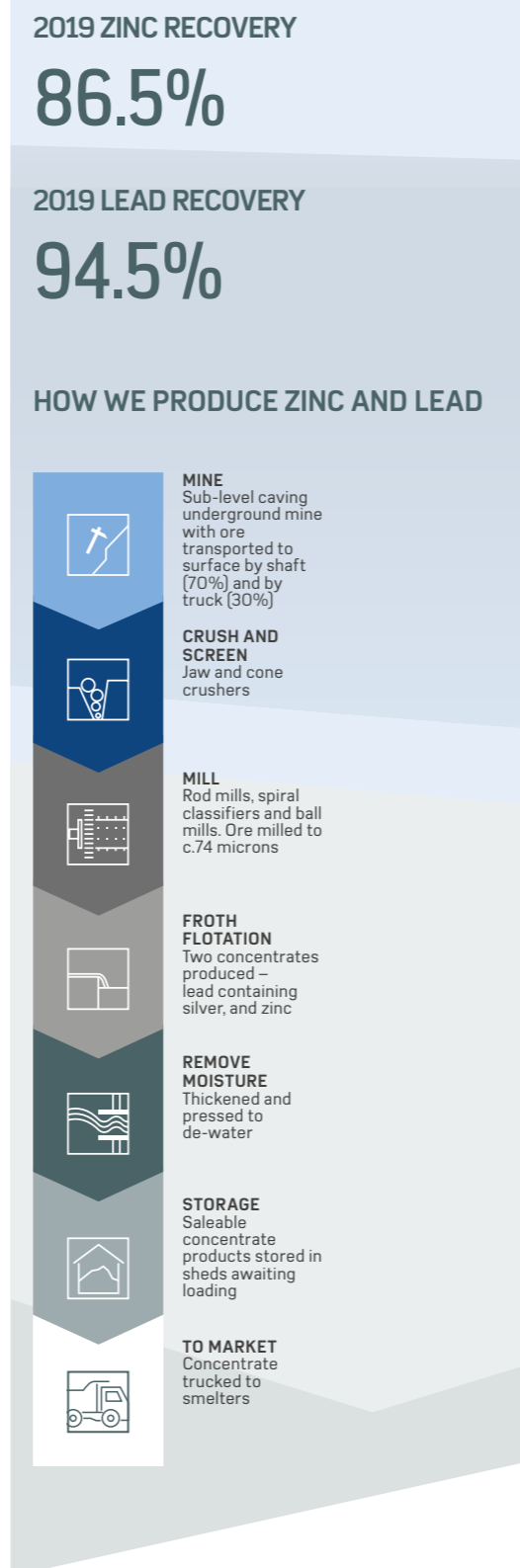
OPERATIONAL REVIEW CONTINUED



OLEG TELNOI, GENERAL DIRECTOR – SASA

SASA NORTH MACEDONIA

2019 has been another productive year at Sasa, with strong metal output and cost control. During the year, we identified areas for improvement on-site to optimise production, including installing and commissioning our new crusher, and we completed our Life of Mine study, making a decision in principle to transition to a cut and fill stoping method.

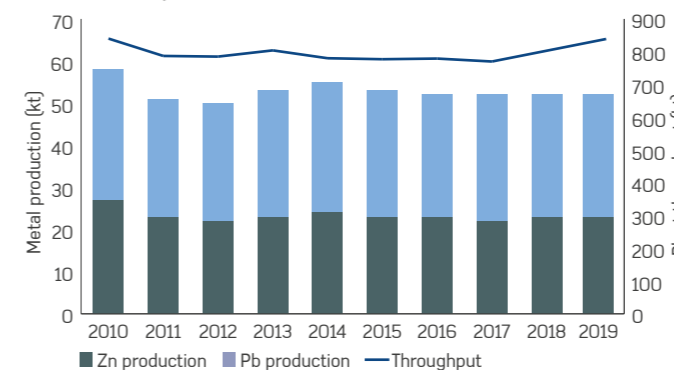


Hosting an analyst visit at Sasa

ZINC AND LEAD PRODUCTION

In 2019, Sasa mined 817,714 tonnes of ore and processed 820,491 tonnes of ore. The average head grades for the year were 3.29% zinc and 3.77% lead, resulting in a combined grade of 7.06%. Metallurgical recoveries for zinc and lead averaged 86.5% and 94.5% respectively.

Sasa annual production



Sasa produces a zinc concentrate and a separate lead concentrate that contains silver. Total 2019 production was 47,104 tonnes of zinc concentrate at an average grade of 49.6% and 40,366 tonnes of lead concentrate at an average grade of 72.3%.

Sasa typically receives from smelters approximately 84% of the value of its zinc in concentrate and approximately 95% of the value of its lead in concentrate. Accordingly, total payable production for 2019 was 19,601 tonnes of zinc and 27,741 tonnes of lead. Given the multiple daily dispatches of concentrate, payable base metal in concentrate sales for the year are very similar at 19,697 tonnes of zinc and 27,875 tonnes of lead.

During 2019, Sasa sold 346,258 ounces of payable silver to Osisko Gold Royalties, in accordance with its streaming agreement.

Production statistics

	Units	2019	2018	2017*
Ore mined	t	817,714	803,101	792,068
Plant feed	t	820,491	804,749	793,332
Zinc grade	%	3.29	3.31	3.18
Zinc recovery	%	86.5	84.6	85.5
Lead grade	%	3.77	3.90	3.98
Lead recovery	%	94.5	93.6	94.6
Zinc concentrate	t (dry)	47,104	46,128	43,676
- Grade	%	49.6	48.9	49.4
- Contained zinc	t	23,369	22,532	21,585
Lead concentrate	t (dry)	40,366	40,317	40,757
- Grade	%	72.3	72.9	73.3
- Contained lead	t	29,201	29,388	29,881

* CAML acquired Sasa in November 2017

MINING

The 817,714 tonnes of ore that were mined in 2019 were extracted from between the XIVb and 830 metre levels, using the sub level caving mining method. The underground operations during the year performed well, consistently producing over 2,250 tonnes of ore per day, which is hoisted and trucked to surface for processing.

Development during the year totalled 3,182 metres in ore and 2,070 metres in waste. Of the development in waste, 601 metres were on the lower 750 metre level, which provides access for the drilling team to continue to explore the down-dip extensions of the Svinja Reka orebody.

During 2019, Sasa installed internet stations underground, allowing for increased monitoring of and communication with machines and will in 2020 introduce the use of telemetry in order to better monitor availability and utilisation.

In the Golema Reka shaft area during Q4 2019, major repairs to wear and tear caused by abrasion at the main bunker were successfully completed over a vertical distance of 40 metres.

OPERATIONAL REVIEW CONTINUED

A full audit of Sasa's underground mobile fleet has been undertaken with regards to overall availability, utilisation, suitability and cost. The analysis indicated that the ageing underground fleet is becoming less cost effective to run. A decision was made during Q4 2019 to undergo a phased process of replacement of the current underground mobile equipment with a new optimised fleet.

The initial component of this replacement process will include the purchase of six new units in 2020, and nine additional units will also be purchased in 2021, 2022 and 2023 (three per year).

PROCESSING

The Sasa processing facility has continued to perform well with availability of 94.7% (2018: 95.3%) enabling throughput of 820,491 tonnes (2018: 804,749 tonnes) of ore against guidance of between 800,000 tonnes and 820,000 tonnes.

The lead recovery for 2019 was slightly higher than that achieved in 2018 at 94.5%. This improvement is largely attributed to the Sasa processing team's efforts to maintain optimum process conditions.

Zinc recoveries were a significant improvement on those of 2018, reaching on average 86.5%. The recovery improvement is attributed to the installation of the stirred media detritor ('SMD') mill, the additional technical support from the newly commissioned metallurgical laboratory and some minor process improvements within the flotation plant.

The processing team continues to innovate in order to continuously improve Sasa's metallurgical performance to enhance recoveries and concentrate quality. The new on-site metallurgical testing facility was commissioned in early 2019 and has already proven to be a valuable resource enabling the team to swiftly investigate opportunities to optimise the Sasa flowsheet. It is intended to further enhance the technical capability of the facility in 2020 to undertake additional process improvement studies.



Underground at Sasa

Sasa's crushing facilities have been significantly improved during the year, initially with the installation of a new, higher capacity, secondary cone crusher. The feeding arrangements to this robust secondary crusher will be re-engineered in H1 2020, enabling the crusher to be choke-fed thus improving product quality, liner wear life and energy consumption. In December 2019, a third stage of crushing was installed providing dual benefits of improving the facility's mechanical reliability plus allowing a finer product size to be generated thus allowing the grinding circuit to reach a capacity of 850,000 tonnes per year.

In early 2020, Sasa's metallurgical team began submitting to an external laboratory monthly samples collected from various processing plant streams for mineralogical microscope analysis. The insight obtained from this routine analysis together with support from the on-site laboratory will enable the team to work towards superior lead and zinc concentrate products going forward.

2020 PRODUCTION GUIDANCE

The 2020 production guidance for Sasa has been increased to a mining and processing rate of between 825,000 and 850,000 tonnes, resulting in metal output of between 23,000 and 25,000 tonnes of zinc and between 30,000 and 32,000 tonnes of lead in concentrate.

TSF4

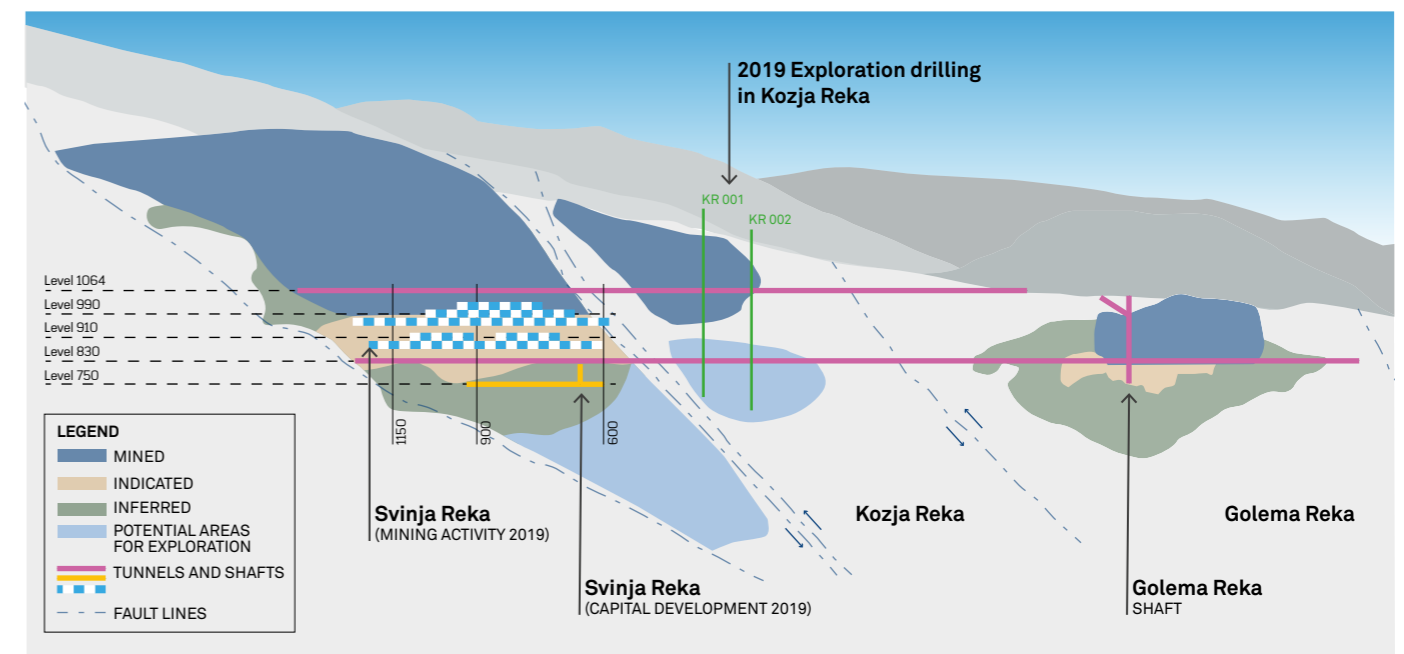
Much of 2019 was spent lining the new storage facility, TSF4, in accordance with North Macedonian standards. In H2 2019, construction was completed, and the facility was successfully commissioned in trial mode, in accordance with North Macedonian laws. The facility has a capacity of six to seven years assuming current mining methods and potentially to the end of the current life of the operation once Sasa transitions to cut and fill stoping.

LIFE OF MINE REVIEW

During 2019, the CAML operations team, supported by external consultants where appropriate, materially completed its Life of Mine review, the purpose of which was two-fold. Firstly, it was to identify areas for improvement that could be implemented on-site to optimise productivity, and many such initiatives have been actioned during the year.



Sasa laboratory



Sasa long section

The second part of the rationale for the Life of Mine study was to ascertain whether the operation should continue utilising the current sub-level caving mining methodology at the Svinja Reka orebody, or whether a change to cut and fill stoping would be more appropriate. Cut and fill mining is a more selective form of ore extraction, whereby voids created by mining are typically filled using a paste comprised, in part, of tailings.

Regarding Sasa's mining method, pre-feasibility studies have been undertaken and, on this basis, the CAML Board has decided in principle to transition to cut and fill stoping at Svinja Reka. There are several reasons for this:

- Cut and fill is generally regarded as a safer mining method than sub-level caving
- Cut and fill is a more flexible mining method better suited to the geometry of the three veins which comprise the Svinja Reka orebody and is therefore expected to result in higher recovery and reduced dilution of ore. This should lead to
 - higher zinc and lead reserve grades
 - increased metal production over the life of the mine
- It is currently estimated that over 40% of Sasa's tailings production would be placed underground as this forms part of the 'paste' fill of the mined voids
 - Underground storage of tailings is widely viewed as a more environmentally acceptable solution to traditional surface tailings dams
 - In Sasa's case, this approach could also mean that the construction of future downstream tailings storage facilities is not required, thereby saving significant capital expenditure over the life of the mine, and avoiding potential land purchases. The construction of TSF4 was completed during 2019 with a capacity of six to seven years using the current sub-level mining method, and capital expenditure for TSF4 totalled \$16 million (pre and post CAML ownership)

→ Recent geotechnical studies at Sasa have demonstrated that geological stresses will increase with depth and additional pillars of ore would need to be left in-situ if Sasa continues its current sub-level caving mining method. The need for increased supporting pillars, resulting in lower recovery of ore, would be eliminated due to the use of backfill within voids in the cut and fill mining method

→ It has always been assumed that long-term production from the Golema Reka resource area would be undertaken using the cut and fill mining method. Therefore, construction of a paste plant, which would have been required in the future, has simply been accelerated

CAML will now complete detailed engineering studies and update the mineral resource estimate and ore reserve for Svinja Reka. It is anticipated that this work will be completed during H2 2020.

While detailed capital and operating cost expectations have yet to be finalised, the capital expenditure required to construct a paste plant should be spread over two years from 2021 onwards and is expected to be more than offset by the savings in not constructing further downstream tailings facilities over the life of the mine. CAML does not expect to incur any material capital expenditure for this transition during 2020.

EXPLORATION

During 2019, CAML undertook diamond drilling at both Svinja Reka, the location of current Sasa mining operations, and Kozja Reka, which was mined between 1966 and 1989, and from where 3.2 million tonnes of ore at a combined zinc and lead grade of 10.5% was extracted. A total of 4,538 metres were drilled at Svinja Reka, with the aim of verifying previous exploration programmes and converting a portion of the Inferred Mineral Resources into the Indicated category.

OPERATIONAL REVIEW CONTINUED

During the year a total of 812,235 tonnes of material was removed from the Ore Reserve model, equating to 32,571 tonnes of zinc and 37,282 tonnes of lead. Following the completion of the Svinja Reka infill drilling programme between the 830 and 750 levels and interpretation of the results, a total of 818,545 tonnes of Inferred Resources were converted to Indicated Resources.

A total of 1,368 metres were drilled at Kozja Reka to explore the potential mineralisation below the 830 level. The drilling programme will continue in 2020, and, while mineralisation has been intersected, it is not expected that the findings of this initial programme will as yet form part of a Mineral Resource Estimate as additional work would be required.

There were no exploration activities at Golema Reka during 2019.

SASA MINERAL RESOURCES AND ORE RESERVES

An updated Mineral Resource Estimate ('MRE') for Svinja Reka deposit was completed by Jordan Angelov, the Mine Technical Services Manager. Jordan Angelov is a Member of the Australian Institute of Geoscientists and has some twenty years' experience in the exploration, definition and mining of precious and base metal Mineral Resources, and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the type of activity which he is undertaking to qualify as a 'Competent Person' as defined by JORC and as required by the June 2009 Edition of the AIM Note for Mining and Oil & Gas Companies. He has reviewed, and consents to, the inclusion in the Annual Report of the matters based on their information in the form and context in which it appears and confirms that this information is accurate and not false or misleading.

Mineral Resource Estimate for Svinja Reka and Golema Reka prepared in accordance with the JORC Code (2012 edition)

Classification	Deposit	Tonnage (mt)	Pb grade (%)	Pb metal (kt)	Zn grade (%)	Zn metal (kt)	Ag grade (g/t)	Ag metal (koz)
Indicated Mineral Resources	Svinja Reka	12.3	4.76	587	3.70	456	24	9,498
	Golema Reka	1.3	3.80	48	1.61	20	13	528
	Total Indicated	13.6	4.66	635	3.50	476	23	10,026
Inferred Mineral Resources	Svinja Reka	2.0	3.16	63	2.33	47	16	1,011
	Golema Reka	6.3	3.50	217	1.40	86	12	2,444
	Total Inferred	8.3	3.38	280	1.60	133	13	3,455
Total Indicated and Inferred Resources		21.9	4.17	915	2.80	609	19	13,471

Notes:

- Mineral Resources have an effective date of 1 January 2020. The Competent Person for the declaration of Mineral Resources is Jordan Angelov, MSc. MAIG. The Mineral Resource estimate was prepared by the Sasa Geology team
- All Indicated Mineral Resources are reported within the Exploitation Licence, approximately 600kt of the Inferred resources reported at Svinja Reka exist outside of the Exploitation Licence.
- Mineral Resources are reported as undiluted. No mining recovery has been applied in the Statement.
- Tonnages are reported in metric units, grades in percent (%) or grams per tonne (g/t), and the contained metal in metric units. Tonnages, grades, and contained metal totals are rounded appropriately.
- Rounding, as required by reporting guidelines, may result in apparent summation differences between tonnes, grade and contained metal content.

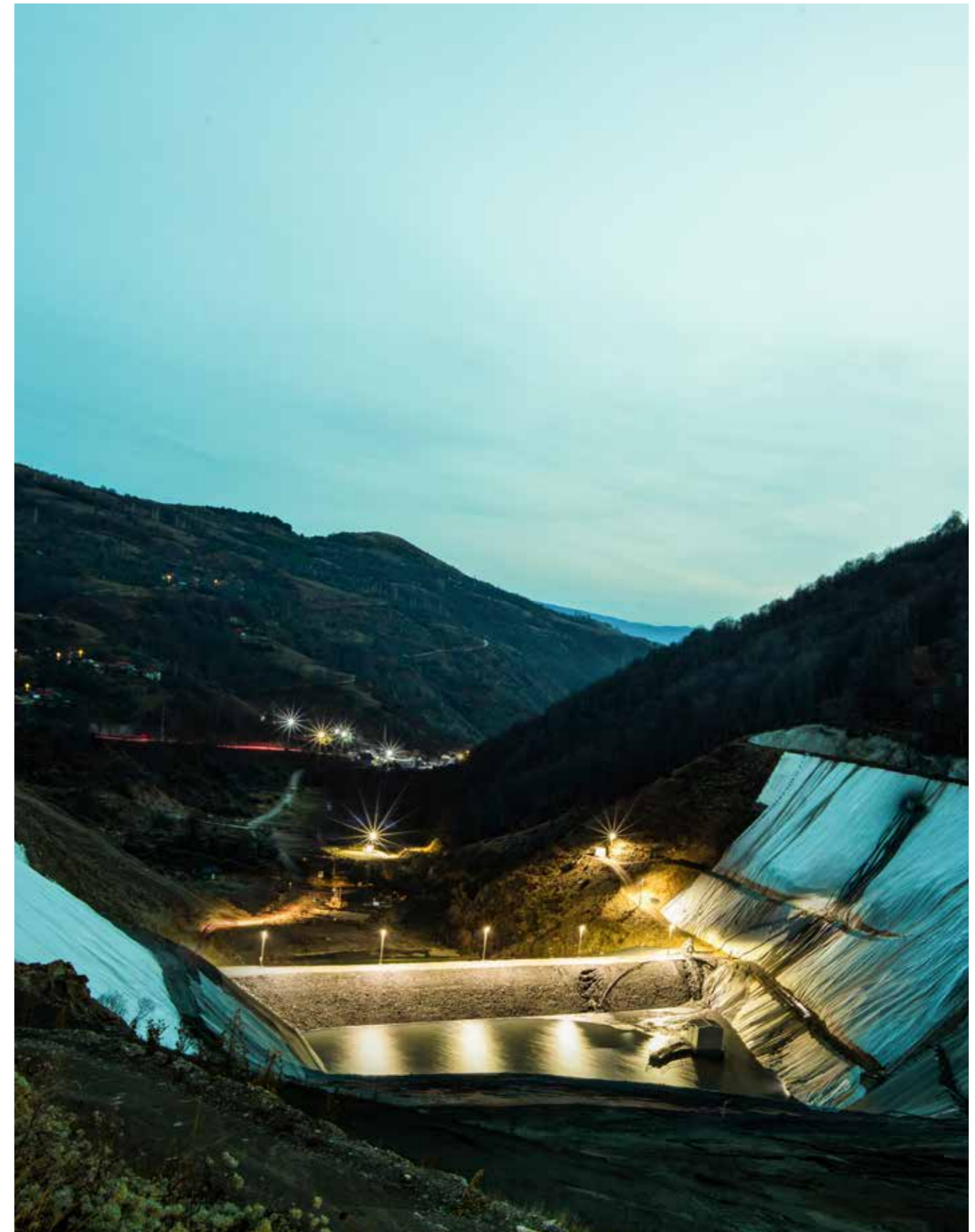
Sasa Mine's Technical Services team also updated the Svinja Reka Ore Reserve estimate to reflect depletion due to extraction since the previous estimate dated 1 January 2019. The Competent Person who has reviewed the Ore Reserves is Scott Yelland – C.Eng, FIMMM, MSC, who is a full-time employee and Chief Operating Officer of Central Asia Metals. He is a mining engineer with over 36 years' experience in the mining and metals industry, including operational experience in underground zinc and lead mines, and as such qualifies as a Competent Person as defined in the JORC Code (2012).

Sasa Ore Reserves prepared in accordance with JORC Code (2012 edition)

Classification	Deposit	Tonnage (mt)	Pb grade (%)	Pb metal (kt)	Zn grade (%)	Zn metal (kt)	Ag grade (g/t)	Ag metal (koz)
Probable	Svinja Reka	8.9	3.91	348	3.08	274	20.1	5,733
Total Ore Reserves	Svinja Reka	8.9	3.91	348	3.08	274	20.1	5,733

Notes:

- All figures are rounded to reflect the relative accuracy of the estimate and have been used to derive sub-totals, totals and weighted averages. Such calculations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, Sasa does not consider them to be material.
- The Concession is wholly owned by and exploration is operated by Rudnik SASA DOOEL, a wholly-owned subsidiary of CAML.
- The LOM plan (with effective date 01 January 2017) has been depleted based on ore production to 31 December 2019. The depleted LOM plan maintains a production rate of 780 ktpa from 2019 to 2028 (10 years), after which production ramps down over the final four years (till 2032). The LOM plan will be updated based on the operation review (currently in progress) and the updated Mineral Resource estimate.
- The metal prices used to assess the Ore Reserve estimate in the financial model are based on a Consensus Market Forecast from January 2019.
- The standard adopted in respect of the reporting of Mineral Resources and Ore Reserves for the Project, following the completion of required technical studies, is in accordance with the guidelines of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code').



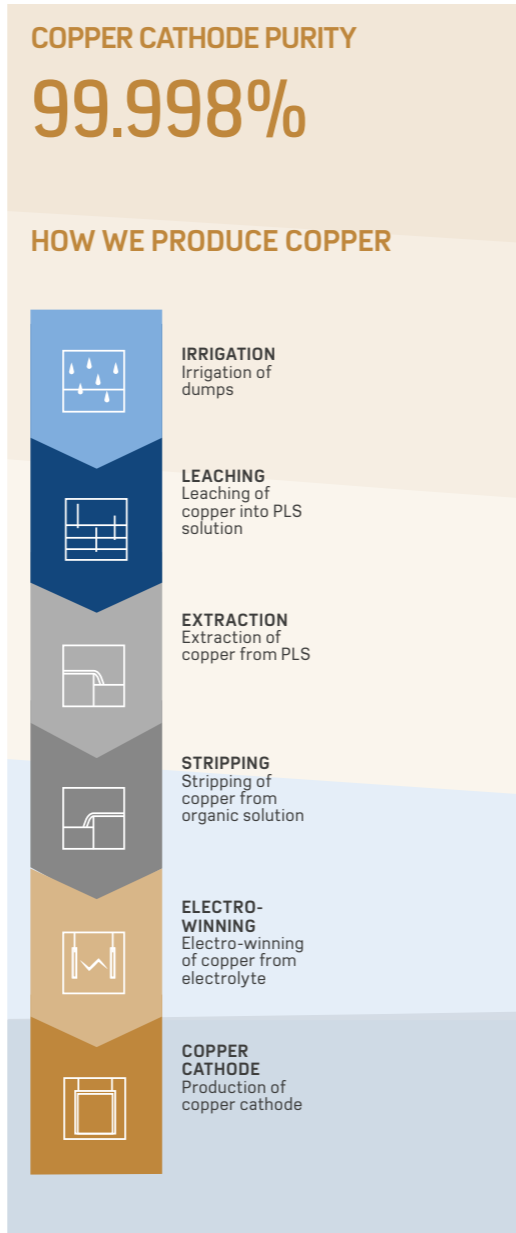
OPERATIONAL REVIEW CONTINUED



PAVEL SEMENCHKO, GENERAL DIRECTOR – KOUNRAD

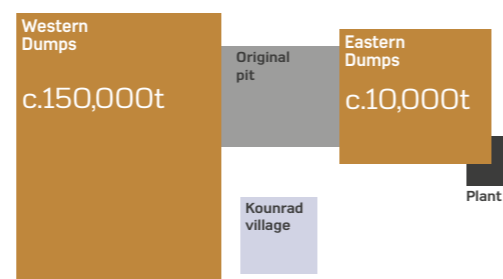
KOUNRAD KAZAKHSTAN

The Kounrad team were proud to exceed targets in terms of copper production for 2019. Leaching activities have been performing well in the Western Dumps, from where we expect to produce 75% of our 2020 copper.



RESOURCES MAP

ESTIMATED REMAINING COPPER TO BE RECOVERED



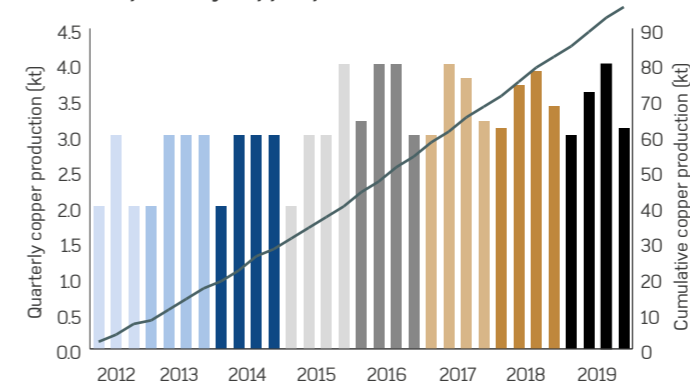
Kounrad team

2019 CATHODE PRODUCTION

During the year, the SX-EW plant produced 13,771 tonnes of copper cathode, a slight reduction from the previous year of 14,049 tonnes. Total Kounrad copper production since operations commenced in April 2012 is now 96,245 tonnes, averaging over 1,040 tonnes per month since start-up.

During 2019, copper was leached from the Eastern and Western Dumps, with both areas performing in line with forecasts. This combined approach will continue into 2020, with approximately 75% of copper production expected to be leached from the Western Dumps. From the end of 2020 onwards, the contribution from the Eastern Dumps will decline to less than 20% of total output. It should also be noted that production of copper from the Eastern Dumps during the winter period will cease as of March 2020, with future winter production being generated solely from the Western Dumps.

Kounrad quarterly copper production



LEACHING OPERATIONS

Both the Eastern and Western Dumps were simultaneously leached during 2019. As well as leaching copper from the few remaining un-leached cells in the Eastern Dumps, the team also focused on irrigating previously leached blocks in order to maximise the recovery of copper. This technique was implemented on various blocks that had been allowed to rest for periods of, in some cases, almost two years. During this rest period bacterial and chemical activity continued to solubilise copper mineralisation and this approach worked extremely well, resulting in total 2019 output from the Eastern Dumps of 4,449 tonnes. This takes the total quantity of copper recovered from this area since operations commenced to 72,376 tonnes or c.90% of that initially forecast at the time of the IPO. The average area under irrigation at the Eastern Dumps during the year was 27 hectares.

At the Western Dumps, the focus of irrigation remained on parts of Dumps 16 and 22 within the initial leach area (ILA). During 2019, 9,323 tonnes of copper were recovered, contributing to 68% of the total Kounrad copper production. The average area under irrigation on the Western Dumps was 35 hectares of fresh, previously un-leached material.

With both dump areas simultaneously under active irrigation, the volume of raffinate pumped around the site averaged 1,329 cubic metres per hour (m³/hr), versus 1,332 m³/hr in 2018. During the summer period, a proportion of the off-flow solutions from the Eastern Dumps were recycled across to the Western Dumps with the aim of maintaining broadly stable pregnant leach solution (PLS) grades to the SX plant. This technique operated successfully and will be continued in 2020, as and when appropriate.

OPERATIONAL REVIEW CONTINUED

With the planned switch to almost all leaching being conducted at the Western Dumps by 2024, engineering studies are underway to implement a split irrigation and solution collection system to allow the operation an Intermediate Leach System (‘ILS’), which should result in an increase in the copper grade of the PLS. The main purpose of this is to optimise the grade of PLS entering the SX facility at the maximum solution flow rate. It is likely this circuit will be constructed during 2021/2022 and be operational from 2023 onwards.

Application rates of solution to the dumps were maintained at approximately 2.4 litres per square metre per hour (‘l/m²/hr’) throughout the year. Direct field experience and recent detailed analysis of data has shown that maintaining this rate below 3l/m²/hr is a key parameter for optimum leaching operations.

CAML’s external metallurgical consultant, PCMETs, continued with its valuable technical oversight of the operation, making two visits to Kounrad during the year. With two and a half years of direct field data for analysis, it has been possible to confirm that leaching of the Western Dumps is materially in line with our original expectations, developed through the column and mini-plant tests undertaken in 2013/2014. However, during this latter phase of the leaching cycle, PLS grades would be lower and this is why the adoption of the ILS is being planned. Additionally, as the Western Dumps contain a higher proportion of ‘sulphide and mixed’ copper species the use of ‘rest’ periods, as successfully proven at the East, will be an important aspect of operating schedules.

Leach solutions flowing out from the Western Dumps contain significantly higher levels of soluble iron compared to the Eastern Dumps (~21 grammes per litre (‘gpl’) versus ~15 gpl). This is related to the higher sulphide content of the material in the Western Dumps and is a positive indicator of strong bacterial and chemical leaching reactions within the dumps that assist the recovery of copper from non-oxidised copper mineral species. This also means that, as forecast, no additional acid needs to be added to the raffinate solution applied at the Western Dumps (although there is a possibility that this may change with the adoption of the ILS circuit).

Whilst there were no major capital programmes at Kounrad during 2019, there has been and will continue to be an ongoing programme of relatively minor works at the Western Dumps. During the year capital was expended on maintaining and extending the irrigation pipe network, an 850 metre extension of the interceptor trench around the edge of Dump 21 and preparing the topography of dump areas for future irrigation. In addition, modifications to the E-W-E main transfer pipelines were completed, through the replacement of 2,420 metres of 350mm diameter line with 450mm diameter pipe, which resulted in a 17% improvement to solution flow rates. A study is now underway examining the costs of implementing the ILS circuit in 2021/2022, with the total cost expected to be less than \$2.0 million.



Aerial view of the Kounrad area



Drilling boreholes at Kounrad



The Kounrad site

SX-EW PLANT

The SX-EW plant continued to operate efficiently during 2019 and the overall operational availability throughout the year improved slightly to 99.6% from 99.5% last year.

With the average Western Dumps copper grade of around 0.1%, the average PLS grade for the year was 2.16gpl, almost the same as 2018. The volume of PLS treated through the SX circuit averaged 985m³/hr, again comparable to that of 993m³/hr achieved in 2018.

While the increased levels of iron in the Western Dumps generally has a positive impact on leaching as previously mentioned, the impact of this increased iron typically causes a reduction in the current efficiency of the plating process. This has resulted in a year-on-year increase in power consumed per tonne of copper plated of around 7%. With two EW sections operating, this higher level of iron has no detrimental impact in achieving planned production targets.

The main focus for the operations team has been on continued efficient plant operations and the tight control of all operating costs.

COPPER SALES

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 negative quality claims. Throughout the year regular in-house and independent metallurgical analyses have consistently been reported at around 99.998% copper purity. The Company continues to sell the majority of its copper production through its off-take arrangements with Traxys, the terms of which are fixed until October 2022.

2020 PRODUCTION GUIDANCE

The 2020 guidance for Kounrad’s copper cathode production remains the same as 2019 at 12,500t to 13,500t, which reflects the transition to producing more copper from the Western Dumps.

SUSTAINABILITY



NICK SHIRLEY, SUSTAINABILITY DIRECTOR

DELIVERING VALUE THROUGH RESPONSIBLE STEWARDSHIP

Our primary strategic objective is to ensure that sustainability is integrated and embedded in every aspect of our business. Our goal is to create long-term value for all our stakeholders and therefore we take our responsibility for ensuring sustainable operations at CAML very seriously.

OVERVIEW

In addition to the overview of sustainability-related activities provided below, we are soon to publish our first standalone Sustainability Report for 2019 (available on our website at: www.centralasiametals.com). We see this as an important step in the Company's development and are pleased to be able to increase our level of disclosure on sustainability efforts, challenges and achievements.

CAML has robust sustainability risk management systems in place and a strong framework to promote the ethical behaviour and strong corporate governance that are crucial for the effective running of our operations and the sustainability of our business.

Sustainability, which is fully integrated into our day-to-day operations, is an essential element of our strategy and is led from the top, by our Board. CAML has a Sustainability Committee, chaired by Non-Executive Director Dr Gillian Davidson, and further details of its composition and activities can be found on page 70.

We operate in full compliance in all material aspects with the laws and regulations of our host countries and are working towards compliance with best-practice international standards where possible. We adhere to IFC Performance Standards at both operations, are ISO9001, 14001 and OHSAS18001 certified at Sasa and look to comply with ISO at Kounrad.

We have a number of policies in place which apply to all employees as well as consultants, agents, suppliers and representatives; these include the Code of Conduct, Anti-Bribery and Whistleblowing Policies and are available on the CAML website at: www.centralasiametals.com.

MAINTAINING HEALTH, SAFETY AND WELLBEING

We aim to provide a safe and healthy working environment for our people and determinedly work towards the goal of zero harm in the workplace.

We have fully integrated health and safety management systems at both sites and use employee feedback for continual improvement and development of working conditions. Safety has been a specific focus in 2019 and the Company has successfully implemented a number of initiatives which have led to a 88% reduction in lost-time injuries in 2019.

We believe that a healthy workforce is paramount in achieving high levels of productivity and have various programmes to promote wellbeing

SAFETY (LTIFR³)

0.42

2018: 3.76

SIGNIFICANT SPILLS AT EITHER OPERATION

Zero

2019 CAML CARBON EMISSION INTENSITY

3.46 tCO₂-e

per tonne of copper equivalent production.

2018: 3.19

RECYCLED WATER USED AT SASA PROCESSING PLANT (% OF TOTAL WATER)

47%

2018: 0%

2019 TAXES PAID IN KAZAKHSTAN AND NORTH MACEDONIA

\$35.1m

2018: \$44.1m

and monitor the health of our employees. Wherever possible, we look to eliminate occupational health risks brought about by our operations and commit to minimising and mitigating issues through the provision of the most appropriate PPE and healthcare. All employees undergo annual medicals, specifically oriented to their occupation and undertaken by external medical specialists.

FOCUSING ON OUR PEOPLE

We recognise that a motivated, dedicated and skilled workforce is key to our success. We work hard to promote our Company culture and provide a positive, stimulating and productive workplace where the development of employees is encouraged, all people are treated fairly, human rights are upheld, the cultural values and customs of our employees and local stakeholders are respected and equal opportunities are supported. Training is integral to the ongoing development of our employees. We recognise the importance of diversity, specifically when considering the breadth of thought, approach and opinion that can be fostered by a diverse group. We encourage meaningful workforce engagement and prioritise local recruitment at our operations, with 99% of Sasa employees being from the local municipality and 100% at Kounrad.

CARING FOR THE ENVIRONMENT

We take our environmental responsibilities seriously and have comprehensive environmental management systems. Central to CAML's environmental work is the monitoring, measurement, analysis and evaluation of water, air quality, soils, biodiversity, hazardous material handling, waste generation and recycling, greenhouse gas (GHG) emissions and energy efficiency.

We recognise that GHG emissions are a major contributor to climate change and place strong focus on their control. Energy efficiency audits have been undertaken at both operations and consideration is being given to determine how further energy-saving measures can be identified.

We are committed to the responsible and efficient use of water and recently introduced a strategy to significantly increase the percentage of contact and recycled waters used in the flotation plant at Sasa.

We prioritise responsible tailings management at Sasa and have published complete disclosure in accordance with the Church of England Pensions Board request (see: <https://www.centralasiametals.com/sustainability/tailings/>).

UNLOCKING VALUE FOR OUR COMMUNITIES

Our licence to operate is largely dependent on the continued support of our local communities and host countries. We look to develop and maintain constructive, professional relationships with all our stakeholders and are committed to making a positive contribution and creating shared value.

CAML aims to integrate with and provide real benefits to local communities and host countries through the provision of employment, the payment of taxes and supporting social and economic development in the surrounding areas, both through social investment and local procurement. \$0.6 million was spent on social projects in 2019 and each operation contributes 0.25% of its revenue on an annual basis.

We have an economically robust business that underpins our ability to generate profits and dividends for our shareholders and ensures that our successes are also felt by our other important stakeholders. CAML is proud of the value that it brings to the host countries of operation and works hard to be a good corporate citizen.

Promoting local economic development is an important way of providing benefits to society and we aim to support local businesses where possible. This is reflected in our preferential procurement practices which resulted in 59% of goods at Sasa being acquired on a national level and 11% on a local level, and 73% of all procurement at Kounrad from local suppliers.



Kounrad Foundation helps the local high school in Kazakhstan

OUR SUSTAINABILITY FRAMEWORK - MATERIAL TOPICS

Driving benefits to all our stakeholders through our strategy.

Sustainability is an important part of the business, and we seek to create value for all of our stakeholders. Having a high standard of sustainability also enhances our reputation and our ability to do business in North Macedonia and Kazakhstan. This approach is supported by our Board and also helps us to attract and retain talented employees.

In 2019, we conducted a desk-based materiality assessment to identify the issues which are most important to our business. The strategic framework shown here is the outcome of our assessment, and is used to drive our sustainability strategy and priorities moving forward.

DELIVERING VALUE THROUGH STEWARDSHIP

We adhere to the highest standards of corporate and sustainability governance. We also recognise that through business success, we are able to generate and distribute economic value.

MATERIAL TOPICS

- Corporate governance and business ethics
- Sustainability management

MAINTAINING HEALTH, SAFETY AND WELLBEING

The health, safety and wellbeing of our employees is of the upmost priority. We adhere to the highest standards and ensure that safety measures are taken to mitigate risk.

MATERIAL TOPICS

- Safety
- Occupational health and wellbeing

FOCUSING ON OUR PEOPLE

We are aware of the importance of our operations on our people's lives and we are committed to making a positive impact on these individuals.

MATERIAL TOPICS

- Employee retention and development
- Diversity and inclusion

CARING FOR THE ENVIRONMENT

We are committed to preventing, mitigating and controlling the impacts of our activities on the environment. We recognise that as a business, we have a responsibility to the health of the environment.

MATERIAL TOPICS

- Energy usage and climate change
- Air quality and pollution
- Water usage
- Waste management
- Rehabilitation and biodiversity

UNLOCKING VALUE FOR OUR COMMUNITIES

Our focus on customers and communities aims to provide the highest product quality and drive social value in the communities we operate in.

MATERIAL TOPICS

- Community engagement and development
- Social investment
- Economic value added
- Supply chain

STAKEHOLDER ENGAGEMENT

SECTION 172 STATEMENT

The Board of Directors has always been mindful of the duties of directors under s172 of the Companies Act 2006.

All Directors act in a way they consider, in good faith, to be most likely to promote the success of the Company for the benefit of its members. In doing so, they each have regard to a range of matters when making decisions for the long-term success of the Company. Key decisions and matters that are of strategic importance to the Company are appropriately influenced by the matters set out in s172.

We promote low cost, sustainable and ethical metal production to benefit our employees, investors, communities and governments. Through continually engaging formally and informally with our key stakeholders, we have been able to develop a clear understanding of their needs, assess their perspectives and monitor their impact on our strategic ambition. As part of the Board's decision-making process, the Board and its Committees consider the potential impact of decisions on relevant stakeholders whilst also having regard to a number of broader factors, including the impact of the Company's operations on the community and environment, responsible business practices and the likely consequences of decisions in the long term. Examples of this include the long-term planning for the operation of the Group's key assets in Kazakhstan and North Macedonia to ensure that this continues to take account of the interests and views of our stakeholder groups. By careful consideration of these factors, we find that the interests of stakeholders can converge in a direction that we believe to be in the overall interests of the Group as a whole. Examples also include remuneration in the Group which takes account of the views of employees and their representatives and, at a senior level, the views of investors such as in the re-design of the Company's long-term incentive plan. Each of these matters is important over the long term and help shape the success of the Group in achieving its long-term strategic aims in the interests of all stakeholders.

Illustrations of how s172 factors have been applied by the Board can be found throughout the Strategic Report. The table to the right sets out our key stakeholder groups and how we engaged with them during the year.

	Employees	Investors	Communities and governments	Suppliers
Why they matter to us	Our employees are our most important asset. They want to work in an environment where they are safe and respected, and have the opportunity to learn, reach their potential and develop successful careers in a Company they can be proud of.	Our shareholders play an important role in supporting our Company. We recognise the importance of the activities and outcomes of stewardship and regularly engage with investors on our financial performance, strategy and business model and our Environmental, Social and Governance (ESG) performance.	Building trust and partnership with the communities and governments that host our operations is very important to us while minimising any adverse impacts on the natural environment.	We have established long-term partnerships that complement our in-house expertise, and have built a network of specialised partners within the industry and beyond.
How the Board and Company engage with them	<ul style="list-style-type: none"> → Our approach to employee engagement is channelled through our strategic narrative; the management team and the Board; and employee representatives. See 'focusing on our people' on page 31 for further details of this. → Health and safety of our employees is of paramount importance to the Company. All reports of Lost Time Injuries (LTIs) are reported to the Board. → All employees have access to the independent whistleblowing hotline. → There are various informal meetings of staff with the Chief Executive Officer and senior leaders, which are often reported to the Board. → More details of our engagement with employees can be found in the separate Sustainability Report to be available on the Company's website at www.centralasiametals.com and the Report of the Board's long-standing Sustainability Committee on page 70. 	<ul style="list-style-type: none"> → We have an active engagement programme with institutional investors. → Our Annual General Meeting (AGM) provides an opportunity for investors to meet and engage with the Board. → Shareholder consultations on remuneration-related matters take place ahead of changes to relevant policies or share plans. → The Board maintains a dialogue with investors on the governance of the Company. → More details on our engagement with investors can be found in the Chairman's Statement on pages 4 to 5; the letter from the Chairman on pages 48 to 49; the Board Report on page 56 to 57; and Remuneration Committee Report on page 62. 	<ul style="list-style-type: none"> → We continually monitor, measure, analyse and evaluate water, air quality, soils, biodiversity, hazardous material handling, waste generation and recycling, greenhouse gas emissions and energy efficiency. → We maintain formal and informal contact with national and local government bodies on regular basis. → We continue to provide support to communities and governments through the provision of employment, the payment of taxes and supporting social and economic development in the surrounding areas, both through social investment and local procurement. → More details on our engagement with communities and governments can be found in the Chairman's Statement on page 5; in our separate Sustainability Report to be available on the Company's website; and Sustainability Committee Report on page 70 to 71. 	<ul style="list-style-type: none"> → We have an open, constructive and effective relationship with all suppliers through regular meetings which provide both parties the ability to feedback on successes and challenges. → The Company's whistleblowing hotline is available to suppliers to allow them to raise any concerns anonymously and all issues are investigated and resolved as appropriate. → We publish our Modern Slavery Statement, Anti-Bribery, Whistleblowing and Trade Sanctions policies on the Company's website.

FINANCIAL REVIEW



GAVIN FERRAR, CHIEF FINANCIAL OFFICER

DELIVERING SHAREHOLDER VALUE

CAML has reported another strong set of financial results, which demonstrate consistent operational performance and effective cost control. The Group generated an EBITDA margin of 60%, which is broadly consistent with the prior year notwithstanding a period of weak commodity prices. The Company has continued to deleverage, having repaid debt of \$38.4 million during the year.

OVERVIEW

The Group generated 2019 EBITDA of \$108.6 million (2018: \$125.3 million), representing a decrease of 13% from the prior year due to the decline in commodity prices. The EBITDA margin however remained broadly stable at 60% (2018: 61%), which reflects the Group's ability to maintain low costs across the operations as well as a reduction in corporate administrative expenses.

EPS from continuing operations was 29.36 cents (2018: 31.33 cents), only 6% lower than the previous year, reflecting well controlled operational and corporate costs.

The Company generated \$69.8 million (2018 adjusted: \$73.8 million) of free cash flow. During 2019, debt repayments were \$38.4 million (2018: \$38.5 million), ending the year with net debt of \$80.2 million (2018: \$110.3 million).

Sasa's 2019 EBITDA was \$59.6 million (2018: \$71.2 million), with a margin of 60% (2018: 64%). Zinc and lead prices declined during 2019, although continued cost control has ensured that this mine continues to operate at approximately the 25th percentile of global producers on a C1 zinc equivalent cash cost basis.

Kounrad's 2019 EBITDA was \$61.7 million (2018: \$66.8 million), with a margin of 76% (2018: 72%). EBITDA margin increased despite the decline in copper price, due to effective cost control and a weakening of the local currency during the year. This enabled the project to continue producing copper at costs well within the lowest industry quartile.

GOING CONCERN

The Group meets its day to day working capital requirements through its profitable and cash generative 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 2019. The price of copper, zinc and lead have been impacted in 2020 by concerns over the outbreak of the COVID-19 pandemic and this will impact on Group revenue for the year ended 31 December 2020. Whilst there has been little impact of COVID-19 to the Group's operations at present, owing to the volatility of the commodity price environment, uncertainty regarding the future impact on operations and the uncertainty surrounding implementation of government policies to manage the outbreak it is difficult to determine and quantify the financial impact there may be on the business going forward. The CAML Board has considered and debated a range of substantial possible scenarios

The Company has returned \$176.4m to shareholders since the 2010 IPO listing.

GAVIN FERRAR, CHIEF FINANCIAL OFFICER

2019 EBITDA MARGIN

60%

2018: 61%

2019 EPS

29.36c

2018: 31.33c

2019 FREE CASH FLOW

\$69.8m

2018: \$73.8m (adjusted)

on the Group's operations, financial position and forecasts covering a period of at least the next 12 months considering potential impacts associated with a) operational disruption that may be caused by restrictions applied by governments, illness amongst the workforce and disruption to supply chain and offtake arrangements; b) market volatility in respect of commodity prices; c) availability of existing credit facilities. Further information on these forecasts is included in note 2 of the financial statements.

After review of these forecasts the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements. However, at the date of approval of these financial statements, the potential future impact of COVID-19 indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

INCOME STATEMENT

Profit before tax for the year was \$67.8 million (2018: \$72.7 million), a decrease of 7%. This was primarily as a result of decreased revenue due to falling commodity prices as low costs of production were maintained.

Revenue

The Group generated 2019 gross revenue of \$180.8 million (2018: \$204.2 million), which is reported after deduction of treatment charges but before deductions of off-taker's fees, penalties, assay adjustments and silver purchases from the silver stream. Net revenue under IFRS post these deductions was \$171.7 million (2018: \$194.4 million).

Sasa

Operationally, Sasa performed strongly with a total of 19,697 tonnes (2018: 18,792 tonnes) of payable zinc in concentrate and 27,875 tonnes (2018: 27,878 tonnes) of payable lead in concentrate sold during the year.

The zinc price received declined by 11% to an average of \$2,497 per tonne (2018: \$2,819 per tonne) and, for lead, the price declined by 8% to an average of \$2,001 per tonne (2018: \$2,170 per tonne), leading to a reduction in gross revenue generated from the mine. Revenue also declined due to higher treatment charges during the year which increased by \$4.1 million to \$13.6 million (2018: \$9.5 million), which reflects the change in market conditions for zinc concentrates in particular. This trend is expected to continue into 2020 with a further significant increase in

treatment charges expected for zinc and lead. After deduction of treatment charges, Sasa generated gross revenue of \$99.1 million (2018: \$111.5 million).

Zinc and lead concentrate sales agreements have been arranged with Traxys through to 31 December 2022 for 100% of Sasa production. Sasa has an existing silver streaming agreement with Osisko Gold Royalties whereby Sasa receives approximately \$5 per ounce from its silver production for the life of the mine.

Kounrad

A total of 13,100 tonnes (2018: 13,695 tonnes) of copper cathode from Kounrad was sold as part of the Company's off-take arrangements with Traxys which has been fixed through to October 2022. The commitment is for a minimum of 95% of Kounrad's annual production. A further 500 tonnes (2018: 386 tonnes) were sold locally. Total Kounrad copper sales were 13,600 tonnes (2018: 14,081 tonnes).

Kounrad revenue declined due to an 8% decrease in the average copper price received, which was \$6,011 per tonne in 2019 (2018: \$6,518 per tonne), coupled with lower copper production and sales. This generated gross revenue for Kounrad of \$81.7 million (2018: \$92.6 million). During 2019 the off-taker's fee for Kounrad was \$2.4 million (2018: \$2.5 million).

COST OF SALES

Group 2019 cost of sales was \$73.1 million (2018: \$76.4 million), consisting \$52.8 million (2018: \$53.3 million) of Sasa-related costs and \$20.3 million of Kounrad-related costs (2018: \$23.1 million). This includes depreciation and amortisation charges during the period of \$29.5 million (2018: \$33.4 million), which reduced as a result of certain assets being fully depreciated at the end of last year.

Sasa

Sasa's cost of sales for the year was lower than the previous year at \$52.8 million (2018: \$53.3 million). These costs reflect a lower depreciation and amortisation charge as explained above of \$25.1 million (2018: \$27.7 million), and lower concession fees amounting to \$2.6 million (2018: \$2.8 million). This tax is calculated at the rate of 2% on the value of metal recovered during the year.

Kounrad

Kounrad cost of sales for the year was \$20.3 million (2018: \$23.1 million). The decrease compared with 2018 was partly due to a reduction in mineral extraction tax paid ('MET'). MET is charged by the Kazakhstan authorities at the

FINANCIAL REVIEW CONTINUED

31 DEC 2019 NET DEBT

\$80.2m

2018: \$110.3m

2019 DEBT REPAID

\$38.4m

2018: \$38.5m

31 DEC 2019 CASH

\$32.6m

2018: \$39.0m

rate of 5.7% (2018: 5.7%) on the value of metal recovered during the year. MET for the year was \$4.7 million (2018: \$5.2 million) and a reduction resulted from the lower average copper price received and reduced copper sales during the year.

During the year, the Kazakhstan Tenge significantly depreciated against the US Dollar, which resulted in a benefit for the cost base. The average exchange rate for the year was 383 KZT/USD (2018: 345 KZT/USD), with the Kazakhstan Tenge being worth on average 10% less in US Dollar terms in 2019 compared to 2018. Certain production related costs have risen such as additional costs incurred for increased reagents such as Escaid, and increased coal consumption due to a colder than usual Q2 2019. Kounrad also agreed an average pay rise of 6% for its employees.

Kounrad depreciation and amortisation charges were \$4.4 million (2018: \$6.3 million) and reduced primarily due to the Tenge devaluation.

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 Sasa and Kounrad (power, production labour and materials) as well as local administrative expenses and realisation charges such as freight and treatment charges. Royalties and depreciation and amortisation charges are excluded from the C1 cash cost.

C1 cash cost

	2019	2018
Sasa zinc equivalent C1 cash cost, \$/lb	0.47	0.46
Sasa RoM unit cost, \$/t	40.3	38.8
Kounrad copper C1 cash cost, \$/lb	0.52	0.54
Cu equivalent production, t	31,233	31,459
Cu equivalent C1 costs, \$/lb	0.94	0.87
Fully inclusive, \$/lb	1.50	1.64

Sasa

Sasa's C1 cash cost of zinc equivalent production for 2019 was \$0.47 per pound (2018: \$0.46 per pound) which is at the lower end of the second quartile of the zinc industry cost curve. This broadly similar C1 cash cost figure reflects higher treatment charges during the year compared to 2018 against higher zinc production compared to 2018. Certain production related costs have increased compared to 2018, such as an increase in payroll costs due to an agreed average 5% pay-rise for employees. This is reflected in on-site costs that amount to \$40.3 per tonne of

ore mined (2018: \$38.8 per tonne). The 2018 on-site costs have been updated to include Sasa related costs incurred by other Group entities.

Kounrad

Kounrad's 2019 C1 cash cost of production remains firmly in the lowest quartile of the industry cost curve for copper production at \$0.52 per pound (2018: \$0.54 per pound). The decrease in C1 cash cost is largely due to tight cost control and as a result of the devaluation of the Kazakhstan Tenge. Approximately 70% of the C1 cash cost base in Kazakhstan is denominated in Tenge. The average C1 cash cost since production commenced in 2012 is \$0.55 per pound.

Group

CAML reports its Group C1 cash cost on a copper equivalent basis incorporating the production costs at Sasa. The Group's 2019 C1 copper equivalent cash cost was \$0.94 per pound (2018: \$0.87 per pound). This number is calculated based on Sasa's annual zinc and lead production, which equates to 17,462 copper equivalent tonnes (2018: 17,410 copper equivalent tonnes), based on 2019 average commodity prices achieved, added to Kounrad's copper production of 13,771 tonnes (2018: 14,049 tonnes).

The Group C1 cash cost on a copper equivalent basis has increased largely as a result of higher production costs at Sasa, including treatment charges, and lower copper equivalent production units as a result of lower copper production.

CAML also reports a fully inclusive cost that includes capital expenditure, local taxes including MET and concession fees, interest on loans and corporate overheads associated with the Sasa and Kounrad projects. The Group's fully inclusive copper equivalent unit cost for the year was lower than 2018 at \$1.50 per pound (2018: \$1.64 per pound). This was primarily due to lower capital expenditure of \$11.0 million (2018: \$16.7 million) as a result of reduced costs on the construction of Sasa's TSF4.

The Group also incurred lower finance costs given the reducing debt balance and lower share-based payment charges recognised within corporate overheads.

ADMINISTRATIVE EXPENSES

During the year, administrative expenses were lower at \$18.3 million (2018: \$24.0 million), largely due to a reduced share-based payment charge of \$1.1 million (2018: \$4.9 million). Options granted in 2019 had a change in the vesting date and vesting performance conditions compared to previous year grants, plus there was a one-off issue awarded upon the successful acquisition of Sasa, which vested on issue amounting to \$1.9 million in the previous year.

FINANCE COSTS

The Group incurred lower finance costs of \$11.2 million (2018: \$15.0 million) given the reducing debt balance.

DISCONTINUED OPERATIONS

The Group continues to report the results of the Shuak and Copper Bay entities within discontinued operations. These assets were fully written off in prior years. In February 2020, the Group reduced its effective interest in Ken Shuak LLP from 80% to 10%. The Group will not be required to contribute towards future costs of the project.

BALANCE SHEET

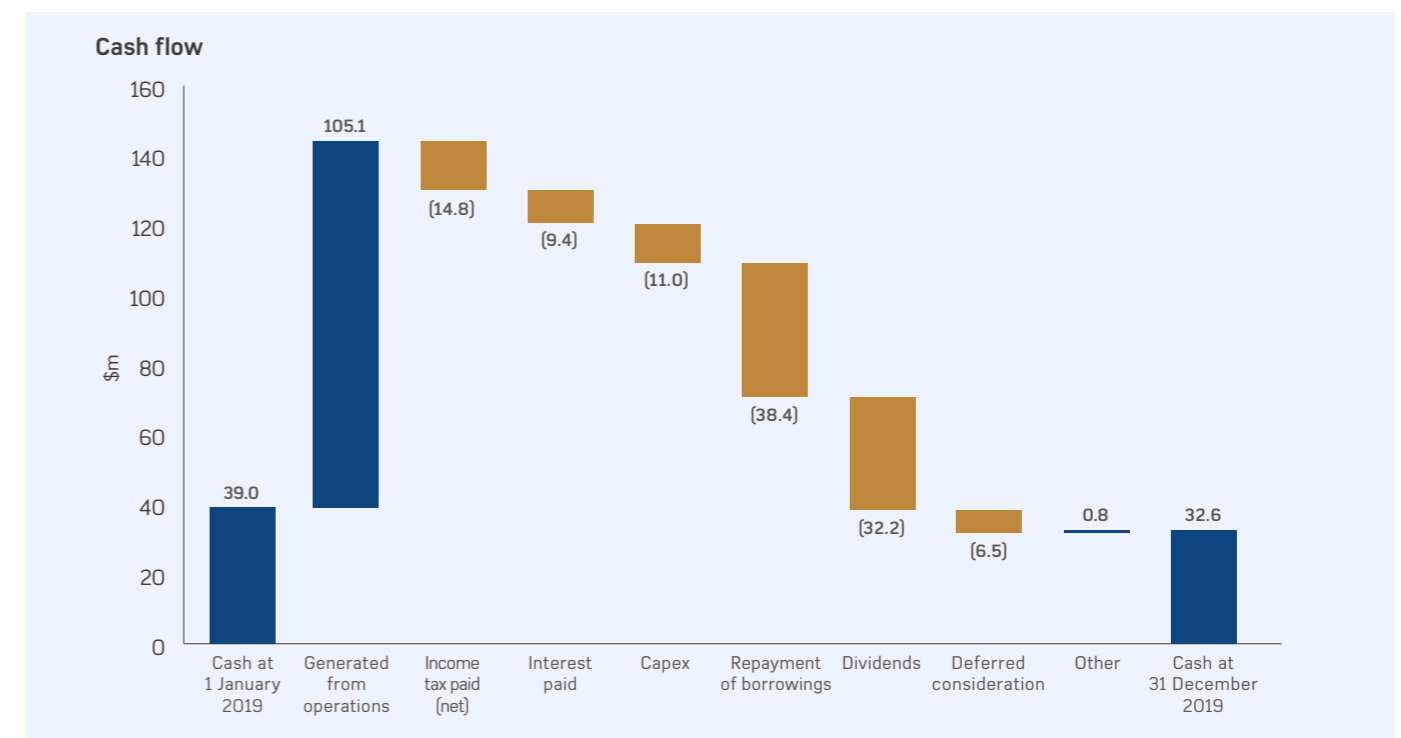
During the year, there were additions to property, plant and equipment of \$12.1 million (2018: \$15.0 million). The additions include \$1.8 million at Kounrad, primarily sustaining capital expenditure (2018: \$1.4 million), \$7.5 million Sasa sustaining capital expenditure (2018: \$6.8 million), and costs associated with the construction of TSF4 amounting to \$1.9 million (2018: \$6.6 million). TSF4 was completed during 2019 with a capacity of six to seven

years. Capital expenditure for TSF4 totalled \$16.0 million (pre and post CAML ownership). The costs of TSF4 will be transferred out of asset under construction during 2020 following receipt of the final operating permits.

Due to a change in accounting policy following the adoption of IFRS 16 Leases, a further \$0.9 million has been capitalised in respect of finance leases, which primarily relate to the leasing of office space in London.

A full audit of Sasa's underground mobile fleet was undertaken and a decision was made during Q4 2019 to undergo a phased process of replacing the current underground mobile plant with a new optimised fleet. The initial component of this replacement process will include the purchase of six new units in 2020, and three additional units will also be purchased each year in 2021, 2022 and 2023.

As at 31 December 2019, current trade and other receivables were \$6.3 million (31 December 2018: \$10.1 million) and non-current trade and other receivables were \$3.4 million (31 December 2018: \$2.1 million). Current trade and other receivables as at 31 December 2019, include trade receivables from the off-take sales of \$1.5 million (2018: \$3.7 million) and \$2.2 million in relation to prepayments (2018: \$1.5 million). As at 31 December 2019, a total of \$3.1 million (2018: \$2.8 million) of VAT receivable was still owed to the Group by the Kazakhstan authorities. Recovery is still expected through the local sales of cathode to offset these liabilities and a decision has been taken not to write off this balance.



FINANCIAL REVIEW CONTINUED

As at 31 December 2019, current trade and other payables were \$12.3 million (31 December 2018: \$20.9 million). The prior year balance included \$6.5 million in relation to deferred consideration payable for the Sasa acquisition which was settled during 2019. In April 2019, a settlement agreement with the previous owners of CMK Resources Limited was finalised in respect of the \$5.9 million withholding tax liability in North Macedonia paid in the prior year. The liability related to activities of CMK Europe prior to CAML's ownership. The settlement amounted to \$5.5 million and accordingly, during 2019, CAML paid only the balancing \$6.5 million due in respect of the \$12.0 million deferred consideration owed to the previous owners.

During 2019, instalments of \$20.2 million (2018: \$25.7 million) were paid towards the Group's 2019 corporate income tax liability of which \$3.9 million was a non-cash payment offset against VAT receivable. The Group also received refunds of \$1.4 million for corporate income tax overpaid in the prior year.

As at 31 December 2019, current and non-current borrowings were \$39.3 million and \$69.5 million respectively (2018: \$38.4 million and \$106.5 million). The reduction of \$36.1 million reflects debt repaid during the year of \$38.4 million, drawdowns on overdrafts of \$0.9 million and finance charges of \$1.4 million unwinding directly attributable fees. The debt financing agreement with Traxys Europe S.A. has a final maturity date of 4 November 2022. The monthly repayment schedule is \$3.2 million and interest is payable at LIBOR plus 4.75% and reduced to LIBOR plus 4.00% with effect from 27 March 2020. Security is provided over the shares in CAML Kazakhstan BV, certain bank accounts and the offtake agreements between Traxys and each operation. The debt is subject to financial covenants which include the monitoring of gearing, debt service ratios, and leverage ratios with which the Company has complied.

On 31 December 2019, the Group had cash of \$32.6 million (31 December 2018: \$39.0 million) including restricted cash of \$4.0 million (31 December 2018: \$4.4 million).

CASH FLOWS

The strong operational performance of Sasa and Kounrad and the associated low costs of production resulted in robust cash flows for the Group during the year, with cash generated from operations of \$105.1 million (2018: \$130.1 million).

Taking into account capital expenditure, CAML's free cash flow for 2019 was \$69.8 million. (2018 adjusted: \$73.8 million). During the year, \$32.2 million (2018: \$39.6 million) was returned to shareholders as the final 2018 dividend and 2019 interim dividend.

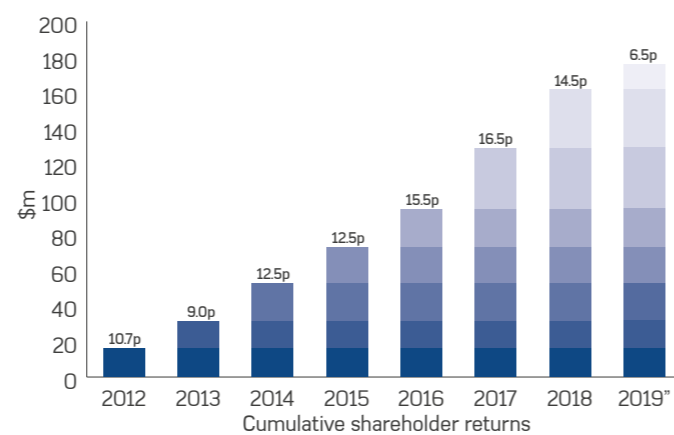
During the year, Group debt of \$38.4 million was repaid (2018: \$38.5 million) plus interest paid totalling \$9.4 million (2018: \$14.5 million). \$3.0 million of North Macedonia corporate income tax was paid during the year (2018: \$11.1 million) in addition to a \$3.9 million non-cash payment offset against VAT receivable. Payments made during 2019 included \$2.2 million towards the 2019 corporate income tax liability and \$0.8 million of 2018 corporate income tax paid in April 2019. The Group also received refunds of \$1.4 million for North Macedonia corporate income tax overpaid in the prior year.

\$13.3 million of Kazakhstan corporate income tax was paid during 2019 (2018: \$14.7 million). Payments made during 2019 included \$12.5 million towards the 2019 corporate income tax liability and the final \$0.8 million of 2018 corporate income tax paid in April 2019.

DIVIDEND

The final dividend for the year ended 31 December 2018 of 8.0 pence per Ordinary Share was paid to shareholders on 20 May 2019 amounting to \$18.2 million. On 17 September 2019, the Company announced an interim dividend for the year ended 31 December 2019 of 6.5 pence per Ordinary Share and this was paid to shareholders on 25 October 2019 amounting to \$14.0 million.

Dividend



In light of COVID-19, the CAML Board has taken the decision not to recommend a 2019 final dividend. This is due to the currently unquantifiable impact of the pandemic, and the Board's current priority is to preserve the Company's cash balances. Total dividends for the year therefore relate solely to the interim dividend and amount to 6.5 pence. The total amount returned to shareholders in dividends and share buy-backs since the 2010 IPO listing remains unchanged since the H1 2019 results at \$176.4 million.

GAVIN FERRAR
CHIEF FINANCIAL OFFICER

NON-IFRS FINANCIAL MEASURES

The following non-IFRS alternative performance financial measures are used in this report:

EBITDA

EBITDA is a valuable indicator of the Group's ability to generate liquidity and is frequently used by investors and analysts for valuation purposes. It is also a non-IFRS financial measure which is reconciled as follows:

	2019 \$'000	2018 \$'000
Profit for the year	51,937	46,585
Plus/(less):		
Income tax expense	15,911	18,822
Depreciation and amortisation	30,080	33,342
Foreign exchange (gain)/loss	(377)	3,879
Other income	(212)	(359)
Other expenses	481	1,030
Finance income	(336)	(264)
Finance costs	11,153	14,999
(Profit)/loss from discontinued operations	(53)	7,274
EBITDA	108,584	125,308

GROSS REVENUE

Gross revenue is presented as the total revenue received from sales of all commodities after deducting the directly attributable treatment charges associated with the sale of zinc, lead and silver. This figure is presented as it reflects the total revenue received from the smelters in respect of the zinc and lead concentrate.

NET DEBT

Net debt is calculated as the total of the borrowings held with Traxys Europe S.A. and bank overdrafts less the cash and cash equivalents held at the end of the year. This balance does not include the restricted cash balance of \$4.0 million.

	31 Dec 19 \$'000	31 Dec 18 \$'000
Borrowings	108,768	144,949
Cash and cash equivalents	(28,566)	(34,649)
EBITDA	80,202	110,300

FREE CASH FLOW

Free cash flow is a non-IFRS financial measure of the cash from operations less the capital expenditure and is presented as follows:

	2019 \$'000	2018 \$'000
Net cash generated from operations	80,853	83,788
Less: Purchase of property, plant and equipment	(11,042)	(15,019)
Less: Purchase of intangible assets	(21)	(907)
Free cash flow	69,790	67,862
Add: Sasa withholding tax paid related to period prior to ownership		5,900
Free cash flow adjusted		73,762



RISK MANAGEMENT

IDENTIFYING AND MANAGING RISKS

During 2019, the Board reviewed the approach to risk from the perspective of its reporting and management.

Previously, individual site risk committees were primarily made up of local management. These were disbanded and a single risk committee was formed whose membership includes Executive Directors and Senior Management.

This new Risk Committee reports to the Audit Committee for all risk management activities, in contrast to previously reporting to separate Board Committees depending on the type of risk.

Whilst the Board of Directors has ultimate accountability for risk management, the Audit Committee acts as the Board level risk committee and can report to the Board those areas of risk management which it assesses necessary to be elevated to the Board for further consideration.

The Audit Committee gives direction to the Risk Committee and reviews the higher level processes and policies escalated to it. Whilst the Risk Committee is responsible for development of risk management with the Group's Risk Manager, the Audit Committee retains the ability to amend any such aspects of management's risk management activities.

The Risk Committee is made up of Executive Directors and Senior Management. The Group's General Counsel acts as the Group's Risk Manager and chairs the Risk Committee. The Risk Committee is responsible for the development and implementation of risk management by directing the Group's Risk Manager and Senior Management. The Risk Committee is responsible for reviewing the principal risks of the business and advising Senior Management on the mitigation activities of such risks.

Senior Management is responsible for the day-to-day implementation of the risk management process and have a number of tools to assist in the process. Each site has a risk management coordinator on site who is able to assist with risk management, and can call also upon the assistance of the Group Risk Manager.

RISK MANAGEMENT PROCESS

COMMUNICATION AND CONSULTATION

There is continual consultation with the relevant parties throughout the process to ensure consistency and appropriate decision-making is being made across the Group towards risk management.

IDENTIFICATION

Risks are identified by the Risk Managers, risk management coordinators, General Directors and site Senior Management.

ANALYSIS

An understanding of the risk is gained through investigation of causes and estimation of likelihood and potential consequences.

This continues and repeats in response to the monitoring and review process.

EVALUATION

The results of the analysis are used to determine the level of the risk.

This continues and repeats in response to the monitoring and review process.

MITIGATION

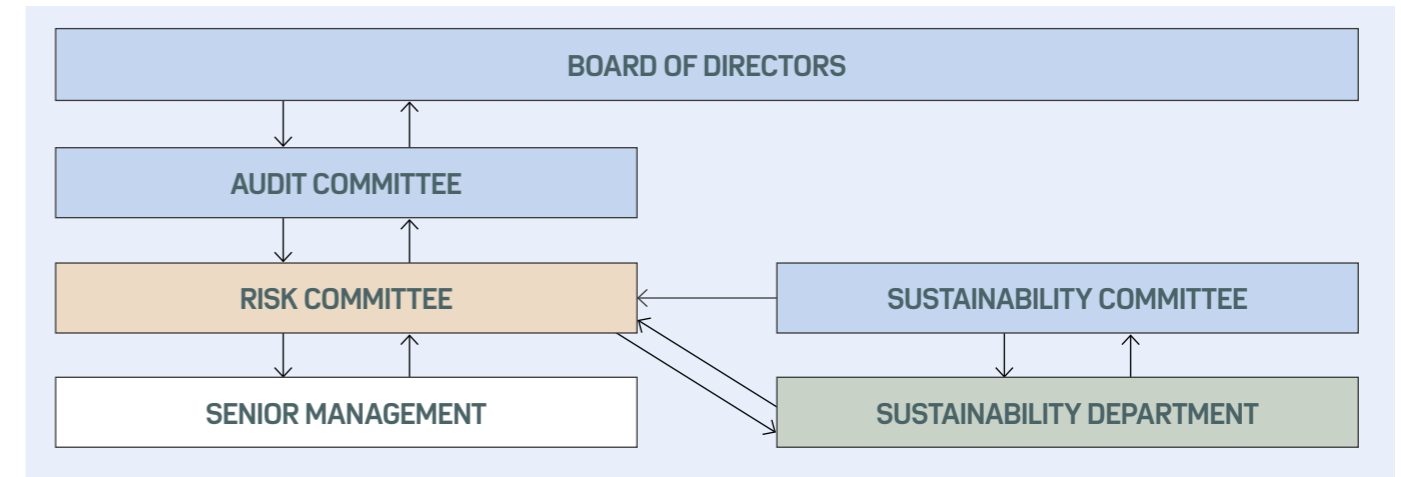
An agreed risk treatment plan is put into place to modify, manage, or prevent the risk's likelihood of occurrence or its consequence. This includes regular analysing and evaluating the desired level of risk.

MONITORING/REVIEW

Regular supervision and observation is conducted to monitor changes in a risk's status to ensure that the desired risk level is achieved.

This includes regularly analysing and evaluating the risk.

OUR RISK MANAGEMENT FRAMEWORK



- 01 Commodity prices
- 02 Treatment charges
- 03 Leaching operations
- 04 Political risk
- 05 Mining operations
- 06 Permitting
- 07 Tailings facility
- 08 Supply and logistics

Arrows indicate movement

RISK APPETITE

The Company assesses each risk and the requirement for mitigation, taking into account the appetite for the impact of the risks on the strategic objectives of the business.

High safety standards are the Group's paramount objective and, as such, there is no appetite to accept risks which would materially impact the safety standards of the business.

The Company generally has a greater appetite for risks arising from non-sustainability related areas of the business. For instance, to date the Board and management have been generally willing to accept the risk that fluctuations in metal prices could have on revenue generation.

PRINCIPAL RISKS AND UNCERTAINTIES

Operating in the mining sector brings with it inherent risk in the extraction and processing of natural resources. The risks and uncertainties described are material risk factors which could impact CAML's ability to meet its strategic objectives.

OPERATIONAL RISKS

Leaching operations

KPIs



Responsibility

- Technical Director
- COO

Risk and impact

- The nature of in-situ leaching means that grades and flows of copper-bearing solution from dumps vary and the potential impact on the environment is increased. Should the flow and/or grade drop, this could lead to a reduction in copper cathode produced.
- Geological challenges and technical incidents may also reduce quality or volume of solutions recovered and conversely lead to loss of solution to the external environment.

Mitigation

- Extensive studies on the Kounrad dumps have been completed to Kazakh and international standards to ascertain the material contained within. The results of operations have shown a good correlation to the initial study work undertaken which gives management confidence for future operations.
- In relation to the environment, significant studies into the geology and hydrogeology of the Kounrad site have been undertaken. Should solution be lost to the ground, there is an extensive array of boreholes surrounding the dumps to identify issues and from which solution can be extracted.

Risk movement

- Unchanged.
- The production of copper-bearing solution is performing in line with technical expectations.

Mining operations

KPIs



Responsibility

- COO

Risk and impact

- Underground mining operations are by their very nature dangerous working environments and are challenging to operate. Loss of life is a significant risk.
- Generally, the orebody from which metal is extracted can vary and, as such, knowledge and experience is required to efficiently and effectively extract the ore.
- The extraction of ore is a complex process and unless managed effectively and efficiently could mean that operational targets are not delivered.

Mitigation

- The Sasa workforce comprises experienced operators led by a strong management team. External consultants are utilised where needed to complement in-house knowledge and skills.
- We have a significant focus on health and safety and during 2019 trained and equipped a mine rescue team.

Risk movement

- Greater knowledge of the asset over time along with personnel recruitment practices and studies conducted has improved mining operations, leading to decreased risk.
- During 2019, additional experienced personnel were recruited in the technical services department, mine development and geology departments to ensure the resources are exploited as effectively as possible. The Life of Mine project has comprised important work streams that have better informed the team regarding suitable extraction methods for the long term.

Tailings storage facilities

KPIs



Responsibility

- COO
- Sustainability Director

Risk and impact

- The Sasa operations currently require tailings storage facilities to manage the waste generated by the process. Tailings storage facilities which are not constructed or managed correctly can fail, leading to potentially significant damage to persons, property, the environment, and the Company's reputation.

Mitigation

- The existing tailings storage facilities as, well as the new TSF4, are of a 'downstream' construction type which is generally regarded as the safest design option.
- Regular internal monitoring of all aspects of the operation and stability of the tailings storage facilities, including movement and water levels, is undertaken. The data is regularly reviewed by external parties.
- During 2019, Golder Associates performed an independent stability review of TSF 3.2 and did not identify any significant issues.

Risk movement

- Unchanged.
- Work is being undertaken to implement warning systems for the local community in the event of a tailings storage facility failure.

COMMERCIAL RISKS

Treatment charges

KPIs



Responsibility

- CFO

Risk and impact

- An increase in zinc and/or lead treatment charges could have a material impact on Sasa's profitability.

Mitigation

- The markets for zinc and lead concentrates are global in nature but with significant local supply/demand dynamics and are generally set around benchmark prices established by larger market players. Sasa sells its concentrates to smelters in Bulgaria and Poland due in large part to transportation cost advantages, but could transport worldwide should there be a local cost disparity. Ultimately the risk is difficult to mitigate as changes in the concentrates markets are outside of CAML's control. The team works hard to ensure that Sasa's concentrates remain of high quality so as to be as marketable and therefore as attractive as possible.

Risk movement

- During 2019, zinc treatment charges in particular increased significantly, resulting in an upward movement of risk.

Permitting

KPIs



Responsibility

- General Counsel
- General Directors
- Sustainability Director

Risk and impact

- Operating mining projects requires a significant number of permits, licences and approvals in order to operate in compliance with local law. The loss of an authority to operate may have a significant effect on continuing operations. Further, not having the current approvals to operate does not comply with our objective to maintain high sustainability standards.

Mitigation

- The Group employs managers who are experienced in operating mining projects and who understand the regulatory requirements of the countries of operation.
- During 2019, a central registry of required approvals was compiled which improves visibility on upcoming renewals to ensure that a permit or licence does not lapse inadvertently.

Risk movement

- Reduced in the case of TSF4, unchanged in other areas of the business.
- The construction of TSF4 required a significant number of permits, the majority of which have now been received.

Supply and logistics

KPIs



Responsibility

- COO
- General Directors

Risk and impact

- The Group relies on a number of key suppliers (and affiliates) and several crucial inputs, particularly electricity and water. Any impact on the supply chain may have a significant impact on operations. At Kounrad, whilst there is limited electrical generation capacity to prevent damage to equipment in the event of a loss of power, the site is dependent on grid power in order to plate copper. The site is also dependent upon a number of reagents which are key to producing good quality copper cathode. Sasa is reliant on grid power to maintain operations, and on key suppliers to maintain operations.

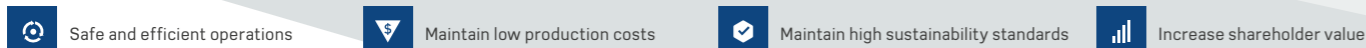
Mitigation

- In procurement processes, the team is cognisant of a Company's ability to maintain supplies and, where possible, looks for alternatives. In relation to power, supply has historically been reliably supplied to both sites and, as such, it has been determined that secondary connections are not justified. At Kounrad, a second water supply was installed in 2017 to ensure long-term water availability.

Risk movement

- The consequences have reduced as during 2019, it was determined that concentrate delivery logistics could be strengthened as, historically, there was little buffer if trucks were unable to transport concentrate. Therefore the decision was taken to build concentrate storage facilities on site.
- We also improved our take on on-boarding procedures and due diligence when it comes to new suppliers. Further work was done to improve our processes in relation to compliance with sanction laws and regulations.

Strategic goals key:



Safe and efficient operations

Maintain low production costs

Maintain high sustainability standards

Increase shareholder value

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

EXTERNAL RISKS

Commodity prices

KPIs



Responsibility
→ CFO

Risk and impact

→ A major decrease in commodity prices would have a significant impact on the revenue of the Group. The copper market has shown resilience during 2019 despite negative global economic indicators, however zinc and lead prices decreased during the course of 2019.

Mitigation

→ The Board has determined that, whilst CAML cost structures allow the Company to take spot metal prices, mitigation plans should be put in place to ensure the fundamentals of the business. To this end, management are putting in place a hedging facility in order to hedge zinc and lead if deemed appropriate in the future.

Risk movement

→ Stable to slight increase.
→ The general decrease in metal prices for zinc and lead during 2019 means that the profitability and cash flow of the Group has decreased.

Political risk

KPIs



Responsibility
→ CEO
→ General Directors

Risk and impact

→ Governance of developing countries is ever-changing as industries, including mining, develop and expand. Investment into emerging markets is affected by evolving taxation laws and regulations relating to tax.

→ Environmental constraints as they relate to permitting and licensing are taken into account as countries develop.

Mitigation

→ In order to minimise the impact on the business to changes in policies, legislation and regulations, the Group makes a determined effort to engage with all levels of government. The aim of this interaction is to get insight into any potential change in general laws, taxation, and regulations which may impact the business and to encourage a two-way dialogue so that CAML views can be understood and taken into account.

Risk movement

→ Stable to slight increase.
→ During 2019, the first President of the Republic of Kazakhstan, Nursultan Nazarbayev announced his resignation. Nazarbayev had been president since 1991. The transition of power to the Head of the Senate occurred in line with the country's laws and was considered to be smooth following which the new president, Kassym-Jomart Tokayev, then called a presidential election, which he won. Given that this represented the first leadership change in Kazakhstan's history, there was some uncertainty regarding the perception of stability for a short time.
→ In 2019, North Macedonia's name was changed amongst divided opinion. The rationale for the name change is seen to be politically motivated to aid in the accession to NATO and the EU. However, the EU rejected North Macedonia's first steps towards joining the union, prior to parliamentary elections in 2020.

CHANGES IN RISK FROM 2018

Several risks which were disclosed in the previous year have been consolidated into other risks where their impacts and mitigation strategies are aligned and are therefore disclosed in composite form. For instance, 'health and safety' risks have been covered within leaching and mining operation risks as the primary concerns related to operational risks within each type of extraction. 'Tax' has been included within political risk as taxation treaties and changes in law are seen to be largely either politically motivated or implemented through political means. 'External incidents' along with 'critical operational equipment' have, where relevant, been restated within the more comprehensive 'supply and logistics' risk as they relate to the timely access and availability of relevant commercial goods and services.

The others were reviewed and are no longer considered material to the business and therefore have been excluded from the list. In the case of 'key personnel', recruitment of additional staff in 2018 and 2019 has led to a larger and more robust team of Senior Management, decreasing the risk that staff exits would affect operations.

In respect of 'labour/community relations', since acquiring Sasa in late 2017, CAML has now been present in the region and communities for over two full years. During this time, relationships with workers and union delegates have strengthened.

In respect of financial 'liquidity' this is no longer considered a material risk as debt has been consolidated and gross debt reduced significantly since the acquisition.

'Foreign exchange and inflation' has also been mitigated such that it is no longer deemed a material risk. This is primarily due to the Company's USD-based currency profile.

The potential for fire at the SX plant will always be a risk to the business, however, management consider that the risk, taking into account the original design features of the SX facility along with risk mitigation measures taken since construction is not a material risk when comparing to other material risks of the Company. The risk of 'transactions and ventures' has also been reduced as no acquisition has taken place in the last year and no future acquisition can be confirmed at this time.

Finally, following further drilling, 'Mineral Resources' are no longer deemed a significant risk.

EMERGING RISKS**Political**

The CAML team has noted an increase in the political risk associated with taxation in line with a trend in developing countries. CAML has good working relationships with government bodies, allowing us to have constructive discussions with them in order to ensure that any taxation increases on operations are fair and proportionate. Notwithstanding mitigation plans in place, CAML considers this area to be currently one of increasing business risk.

COVID-19

A significant emerging risk to the business is the worldwide impact of the COVID-19 pandemic. The management teams at the CAML sites are reviewing the potential impact to the welfare of the workforce and the business and are mitigating those areas as well as possible. The health, safety, and wellbeing of the employees and contractors comes first and will be prioritised over all other aspects of the business. There has been little impact to the operations at present, however it is difficult to determine what impact there may be on the business going forward whilst so much uncertainty regarding the COVID-19 pandemic remains. The CAML Board has made the decision not to recommend a final 2019 dividend and the senior management team is examining all 2020 budgeted capital expenditures in order to preserve cash during this uncertain time.

Sustainability

Mining operations can have both an ecological and social impact on the environment in which they operate. Over the past 12–18 months, spurred on by a number of high-profile incidents in the industry, the focus on environment, sustainability, and governance has increased significantly. Investors are placing an increased focus on these areas which impacts investment choices. Should the Company not give significant attention to this area it may have a material impact on CAML's ability to attract investment. Whilst the Company has always placed a great deal of importance on its intentions with the environment and the communities in which it operates, in 2019 there was an increased focus on these areas. The Company has prepared its first Sustainability Report to demonstrate its achievements and efforts in this regard.

Tailings Storage Facilities

Tailings storage facilities used in mining operations have faced increased scrutiny in recent times, particularly following high profile failures in recent years. Following the Sasa acquisition, external experts have been engaged to review the tailings storage facilities in order to give management and the Board comfort. The external experts have not raised any significant issues, and gave useful advice so as to ensure that management of the TSFs continues to be of a high standard.

The Strategic Report on pages 1 to 47 was approved by the Board of Directors on 31 March 2020 and was signed on its behalf by

GAVIN FERRAR
CHIEF FINANCIAL OFFICER
31 March 2020

LETTER FROM THE CHAIRMAN



NICK CLARKE, CHAIRMAN

Whilst the importance of good governance has always been recognised within CAML, the way it is communicated to our stakeholders has become of increasing importance as the Group has grown. This has been a key area in which we have sought to improve over the past year.

Dear Shareholder,

As I observed in my Chairman's Statement earlier in this report, it is almost ten years since CAML listed on the AIM market of the London Stock Exchange. During this time, the past year has been the most active in governance terms. As I have confirmed in my reports in previous years, we have always considered good governance to be of fundamental importance to building and sustaining stakeholder value in CAML over the long term. We view the way the business is run to be critical to its success. And we see our style of leadership as key in setting the tone from the top. These beliefs have always been at the core of the way in which we have managed the CAML business.

Whilst the importance of good governance has always been recognised within CAML, the way it is communicated to our stakeholders has become of increasing importance as the Group has grown. This has been a key area in which we have sought to improve over the past year. We are proud of our work in this area and want to share this with our stakeholders. In seeking to achieve this aim, we have also identified and acted upon areas for further development. Indeed, we continue to view good governance as a journey of ongoing improvement rather than a static destination. This reflects our desire for continuous development in this area as well as in our business more generally.

The appointment of Nigel Robinson as Chief Executive in 2018 has allowed me to transition away from my previous executive responsibilities. This has enabled me to focus more fully, not only on governance matters in the Group, but also on how these are communicated externally. We are pleased throughout this Annual Report to provide increased transparency on what this means in practice in CAML and I hope readers find this informative.

Amongst the developments over the past year commented on later in this report, I particularly want to highlight the following:

- 2019 was our first full year of reporting against the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). Further details of how we apply the QCA Code are commented on throughout the Governance Report as summarised in the table on page 51. For readers who may not be familiar with the principles of the QCA Code, we have included these on relevant pages of this Governance Report. Our website also has a principle by principle guide to our work in these areas.
- 2019 was also the first year in which we undertook a governance roadshow of our major shareholders. This was undertaken by Robert Cathery our Remuneration Committee Chairman and myself as Chairman with the assistance of our Company Secretary and Director of Corporate Relations. This roadshow was both to update investors in developments in the Group's governance and to seek feedback from them. We found the process invaluable and its results were reported to and discussed by both the Remuneration Committee and the full Board, helping inform our deliberations and decisions during the year.
- Our Remuneration Committee commenced the transition of the Group's Long-Term Incentive Plan ("LTIP") with the introduction of a new three-year vesting structure implemented for the awards granted in 2019. This transition will continue in 2020 with the grant of LTIP awards with new tailored performance conditions taking account of the feedback received from shareholders. The development of the LTIP is further commented on in the Remuneration Committee Report commencing on page 62, and I would like to thank Bob Cathery as that Committee's Chairman for all his work in this.

- We re-named as our Sustainability Committee what had previously been our Corporate Social Responsibility Committee. We believe this better reflects its wider remit and underlying role, and re-emphasises the importance we continue to place in this area. Indeed, this Committee was originally established in 2012, before many companies much larger than us had really focused on such responsibilities. I would like to thank Roger Davey for his sterling work as the Committee's Chairman over the past four years.
- As part of the ongoing succession planning for the Board, our Nomination Committee commenced a recruitment process for an additional Independent Non-Executive Director. This resulted in the successful appointment of Dr Gillian Davidson. Gillian has been appointed the new Chair of our Sustainability Committee, a role to which she brings extensive valuable experience. Gillian's appointment is commented on more fully in the Nomination Committee Report commencing on page 60 and I would like to welcome her to the Board.
- In completion of another aspect of our succession planning, by the beginning of 2020, I transitioned my remaining executive responsibilities to our Chief Executive Officer, Nigel Robinson and our Chief Financial Officer, Gavin Ferrar. Whilst I remain committed to CAML in my role of Non-Executive Chairman, it is right and proper that the day-to-day management of the business should be handled by Nigel and Gavin. I now focus on leading the Board in our support and oversight of Nigel and Gavin in the management of the business.
- The Board and Nomination Committee have continued to plan for succession of the Board. Whilst the other Directors do not believe length of tenure to be affecting their strongly independent approach to their roles, Nigel Hurst-Brown and Bob Cathery have both indicated their willingness to be part of the progressive succession in the long-term interests of Board development. They have, though, at the request of the rest of the Board including myself, agreed to stay on the Board in their current roles while the Group navigates through the current period of global economic uncertainty. During this period I, and the rest of the Board, believe it is appropriate we maintain the current Board membership of experienced and focused Directors. I have also particularly asked Bob to remain in his role until the new LTIP structure is fully bedded in.
- Our Audit Committee conducted a tender of our Group Auditor. Whilst, as an AIM-quoted company, we are not required to undertake such tenders, we considered it good practice to do so after twelve years since the appointment of the incumbent firm. After a comprehensive tender process in which several audit firms including the incumbent firm participated, BDO were appointed as new Auditors to the Group. This is more fully reported on in the report of the Audit Committee commencing on page 58 and I would like to thank David Swan as that Committee's Chairman for all his work in that area.

- We conducted a follow up to the evaluation of the Board last year to determine progress against the areas identified last year and sought fresh feedback from Directors this year. The results of this review are more fully set out in the report of the Nomination Committee on page 61. I was reassured by the progress recognised and encouraged by the desire for ongoing development.
- We refreshed the terms of reference of each of our Committees – Audit, Nomination, Remuneration and Sustainability which are now publicly available on the Company's website.

I very much hope that the increased transparency of our reporting this year will provide an insight to shareholders and other readers into the extensive work our Board and its Committees undertake in our corporate governance. As well as Nigel and Gavin as Executive Directors, David, Bob, Gillian and myself as Board and Committee Chairs are committed to clear reporting of the work that we do on behalf of shareholders and other stakeholders. We are all available to shareholders should they have any questions or wish to discuss matters. With my colleagues, I look forward to continuing this dialogue as part of our commitment to building sustainable value for our stakeholders over the long term.

NICK CLARKE
NON-EXECUTIVE CHAIRMAN
31 March 2020

QCA Code Principle:

→ Maintain the board as a well-functioning, balanced team led by the chair

INTRODUCTION TO CORPORATE GOVERNANCE CONTINUED

OUR APPROACH TO GOVERNANCE

CAML draws from the principles of the QCA Code for guidance in structuring its governance framework. The Board is supported by four Committees, specifically the Audit, Remuneration, Nomination and Sustainability Committees. These standing Committees focus on the four areas of the Group's operation which the Board views as having key importance to the Group's shareholders and other stakeholders.

Our governance arrangements are summarised below:

Board

A strong independent representation on the Board with five Independent Non-Executive Directors. The Board of Directors leads the Company in making key decisions about strategy, financial planning, investments and its Directors.

Audit Committee

An Audit Committee consisting of three Independent Non-Executive Directors led by David Swan as its Chairman. The Audit Committee assists the Board in its oversight of the Company's financial reporting, internal control and risk management.

Remuneration Committee

A Remuneration Committee led by Robert Cathery comprised solely of independent Non-Executive Directors. 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.

Nomination Committee

A Nomination Committee chaired by Nick Clarke. The members of this Committee are our other six Non-Executive Directors. The Nomination Committee makes recommendations to the Board in relation to Director appointments, reviews the composition and structure of the Board, evaluates the balance of skills, knowledge and experience of the Directors and assists the Board with succession planning.

Sustainability Committee

Although not a QCA Code requirement, we also have a Sustainability Committee, chaired by our newest Board member, Dr Gillian Davidson. This Committee comprises Executive and Non-Executive Directors and closely involves members of the senior management team. The Sustainability Committee enables us to maintain our strong focus on our people, their health and safety, environmental matters and the communities in which we operate.

- The Board's Committees support the Board in ensuring the relevant level of focus on their specific areas of responsibility and each have their own terms of reference which provide the necessary authorities for them to operate as they consider appropriate.
- Each Committee reports to the Board through its respective Chair, providing invaluable contributions to the Board's effectiveness through their work.
- On the following pages are further details of each of our individual Directors and separate reports of our Board, and its Audit, Nomination, Sustainability and Remuneration Committees. These are intended to provide an insight into the robust governance structure of the Company and the value that we continue to place on good corporate governance processes.

These arrangements form part of our ongoing commitment to shareholders and other stakeholders to sustainably increase and preserve shareholder value through the long-term success of the business.

QCA Code Principle:

- Maintain governance structures and processes that are fit for purpose and support good decision making by the board

KEY ISSUES AND ACTIVITIES IN 2019**Stakeholders**

→ SEE PAGE 57

Diversity

→ SEE PAGE 60

Independence

→ SEE PAGE 56

Culture

→ SEE PAGE 56

Risk and internal control

→ SEE PAGE 59

Effectiveness review

→ SEE PAGE 61

THE QCA CORPORATE GOVERNANCE CODE

CAML complies with the Quoted Companies Alliance Corporate Governance Code for small and mid-sized companies and has incorporated a set of robust principles based on its guidelines into our corporate governance procedures. The Directors believe this reinforces the strong corporate governance systems and processes that are vital in building a successful business, maximising value and maintaining the high standards that we set for ourselves. Our QCA Code disclosures within this Annual Report are summarised in the table below. In addition, full details of how we have applied each of the ten principles of the QCA Code can be found on our website at <https://www.centralasiametals.com/corporate-governance>.

Principle	Disclosure within this report
1 Establish a strategy and business model which promotes long-term value for shareholders	→ SEE PAGE 54
2 Seek to understand and meet shareholder needs and expectations	→ SEE PAGE 56-57
3 Take into account wider stakeholder and social responsibilities and their implications for long-term success	→ SEE PAGE 30-33, 70-71
4 Embed effective risk management, considering both opportunities and threats, throughout the organisation	→ SEE PAGE 42-47, 59
5 Maintain the board as a well-functioning, balanced team led by the chair	→ SEE PAGE 48-49
6 Ensure that, between them, the directors have the necessary up-to-date experience, skills and capabilities	→ SEE PAGE 54, 56
7 Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	→ SEE PAGE 61
8 Promote a corporate culture that is based on ethical values and behaviours	→ SEE PAGE 56, 70-71
9 Maintain governance structures and processes that are fit for purpose and support good decision making by the board	→ SEE PAGE 50
10 Communicate how the company is governed and is performing by maintaining dialogue with shareholders and other relevant stakeholders	→ SEE PAGE 56-57

BOARD OF DIRECTORS

Committees

- A Audit
- N Nomination
- R Remuneration
- S Sustainability Committee
- C Chair of Committee



NICK CLARKE, CHAIRMAN

- N
- S



NIGEL ROBINSON, CHIEF EXECUTIVE OFFICER

- S



GAVIN FERRAR, CHIEF FINANCIAL OFFICER

- A
- N
- R



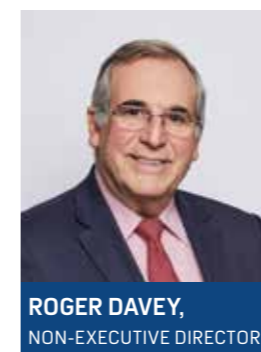
NIGEL HURST-BROWN, DEPUTY CHAIRMAN

- A
- N
- R



ROBERT CATHERY, NON-EXECUTIVE DIRECTOR

- N
- R



ROGER DAVEY, NON-EXECUTIVE DIRECTOR

- A
- N
- S



DAVID SWAN, NON-EXECUTIVE DIRECTOR

- A
- N
- R



NURLAN ZHAKUPOV, NON-EXECUTIVE DIRECTOR

- N
- S



DR GILLIAN DAVIDSON, NON-EXECUTIVE DIRECTOR

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Appointed	April 2009	April 2009	June 2016	December 2006	September 2007	December 2015	June 2014	October 2011	December 2019
Skills and experience	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 managing director of Oriol Resources until its acquisition by OAO Mechel for \$1.5 billion in 2008. In addition, Nick was managing director at Wardell Armstrong International, where he managed numerous multidisciplinary consulting projects in the resource sector. In 2013, Nick was named CEO of the year at the Mining Journal outstanding achievements awards. He joined CAML in 2009 as Chief Executive Officer prior to the Company's IPO in 2010, and assumed the role of Chairman in June 2016.	Nigel started his career as a Royal Naval Officer in the Fleet Air Arm where he served an eight-year short career commission. Upon leaving the Royal Navy, he qualified as a Chartered Accountant with KPMG in the North West of England, where he stayed for a further three years before leaving the profession to work in commerce. He initially joined one of KPMG's clients, British Aerospace, working in the internal audit department before relocating to London where he worked for six years in management with British Airways. In 2002 he left to become more involved in smaller enterprises and joined CAML in 2007 as Group Financial Controller. Prior to his appointment as CEO in April 2018, he had been the CFO of the Group since he joined the Board in April 2009 and was instrumental in growing the business.	Gavin has been involved in the mining sector for over 24 years. His career in the industry began with Anglo American in its New Mining Business Division where he worked in a target generation and due diligence team and subsequently managed projects from greenfields exploration through to a feasibility study on a gold project. He then spent 11 years in the London investment banking sector focusing on debt and derivative financing for mining clients of Barclays Capital and equity and debt investments for Investec. After leaving the banking sector he advised a variety of private mining investors and junior companies on project development and funding before joining the Company in June 2014 as Business Development Director. He was appointed CFO on 16 April 2018 and Gavin continues to serve as the Business Development Director for the Company.	Nigel was previously 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.	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 Pharos Energy plc (formerly SOCO International plc). He is a founder shareholder of the Company.	Roger has over 40 years' operational experience at senior management and director level in the international mining industry covering financing, feasibility studies, construction, development, commissioning and operational management of both underground and surface mining operations in gold and base metals. Previous positions include senior mining engineer at NM Rothschild (London) in the Mining and Metals project finance team (1997 to 2010); director, vice-president and general manager of Minorco (AngloGold) subsidiaries in Argentina (1994 to 1997), for the development of the Cerro Vanguardia, open pit gold-silver mine in Patagonia; operations director of Greenwich Resources plc, London (1984 to 1992); production manager for Blue Circle Industries in Chile (1979 to 1984); and various production roles from graduate trainee to mine manager, in Gold Fields of South Africa (1971 to 1978).	David has extensive commercial experience across the natural resources sector internationally in Australia, Europe, Central Asia, Africa, and the United States. He has had experience as a director of companies listed on the Australian, Canadian and UK stock exchanges. David has been involved with numerous corporate transactions, including IPOs, RTOs, mergers and acquisitions, and project funding. Operational experience has included exploration, mine start-up, open cast, and underground mining operations.	Nurlan is a Kazakh national and currently works in the capacity of Country Adviser Kazakhstan and Central Asia for Rothschild & Co Global Advisory team. He has extensive experience in capital markets and has held positions at UBS and RBS. Most recently, he was CEO of SPK Astana, a Kazakh regional development institution. He has previously held a number of positions in the Kazakhstan resource sector for Kazatomprom, Tau-Ken Samruk (the national mining company), Chambishi Metals and ENRC.	Gillian has over 20 years of sustainability experience in the extractives and natural resources sectors. Gillian was, until 2017, Head of Mining & Metals at the World Economic Forum, leading global and regional initiatives for responsible and sustainable development. Prior to this, she was director of Social Responsibility at Teck Resources. Gillian previously served on the board of Lydian International Limited and has held senior roles in mining companies, government, academia and consultancy.
Education/ qualifications	Nick graduated in 1974 from the Camborne School of Mines, ACSM. He is a Chartered Engineer and a Member of the Institute of Materials and Mining, IOM3.	Nigel has an engineering degree from Lancaster University and is a member of the Institute of Chartered Accountants in England & Wales.	Gavin holds post-graduate degrees in geology from the University of the Witwatersrand, Johannesburg and from the University of Natal. He also holds an MBA in finance from Imperial College, London.	Nigel is a Fellow of The Institute of Chartered Accountants in England and Wales.	Roger holds a Master of Science in Mineral Production Management from the Royal School of Mines, Imperial College, London and a Master of Science in Water Resource Management and Water Environment from Bournemouth University. He is an Associate of the Camborne School of Mines (ACSM), a Chartered Engineer, a European Engineer and a Member of the Institute of Materials, Minerals and Mining (IMMM).	David holds a Bachelor of Commerce from the University of WA and is a Fellow of the Institute of Chartered Accountants in Australia and New Zealand (ICAAANZ) and a Member of the Institute of Chartered Accountants in England and Wales (ICAEW).	Nurlan holds bachelor's and master's degrees in economics from the Moscow State Institute for International Relations.	Gillian holds an MA (Hons) in Geography from the University of Glasgow, a PhD in Development Economics and Economic Geography from the University of Liverpool and is an alumnus of the Governor General of Canada's Leadership Conference.	
External appointments	Nick joined the Board of Caledonia Mining as a non-executive director in September 2019.	Treasurer (Pro bono) of the Fleet Air Arm Officer's Association.	Nigel is currently chief executive of Hotchkis and Wiley Ltd. He is also a director of Borders & Southern Petroleum.	Roger is also a non-executive director of Atalaya Mining, where he serves as chairman, and of Tharisa and Highfield Resources.	David is a non-executive director of Sunrise Resources.	He is an independent non-executive director of Zerde National Infocommunication Holding.	Gillian is an independent sustainability advisor and currently serves as a non-executive director on the board of New Gold Inc. She is also chair of International Women in Mining.		

BOARD REPORT

The Board is comprised of a diverse group of experienced Directors, both from the UK and abroad, each with a wealth of expertise and a depth of knowledge. Many have worked across a variety of jurisdictions and have extensive business and financial experience in the sector in which the Group operates. This ensures that each member of the Board is able to fully contribute to the effectiveness of the Board as a whole and in doing so, have collective responsibility for, and participation in, its decision making. We believe this leads to better performance, sustainable growth and value in the business for its shareholders and other stakeholders in the long term.

KEY STRENGTHS

The diagram below shows the range of our Board's key strengths. In addition, further detailed biographies of each of our Directors are shown on pages 52 to 53:

	Natural Resources	Sustainability	Financial Governance, Risk and Controls	People	Strategy	International	Capital Markets
Nick Clarke	✓	✓		✓	✓	✓	✓
Nigel Robinson		✓	✓	✓	✓	✓	✓
Gavin Ferrar	✓		✓	✓	✓	✓	✓
Nigel Hurst-Brown			✓		✓	✓	✓
Robert Cathery	✓				✓	✓	✓
Roger Davey	✓	✓	✓	✓	✓	✓	✓
Dr Gillian Davidson	✓	✓		✓	✓	✓	
David Swan	✓		✓	✓	✓	✓	
Nurlan Zhakupov		✓			✓	✓	✓

THE ROLE OF OUR BOARD

In leading the Company, the Board defines the purpose of the Company and makes key decisions in relation to strategic matters to deliver this. The Board is also responsible for making key decisions about financial planning, review of financial performance, setting the cultural tone for the Group, review of operational matters, the governance framework, investments and Director appointments. In doing so, the Board draws on each Director's unique skillset and wide range of experience in the mining industry, financial and operational aspects of businesses, public markets and of different geographies around the world.

Our Board normally meets at least five times a year and at other times where required for arising matters. Currently, due to the restrictions on travel and gatherings in the context of COVID-19, the Board is meeting by video-conference and doing so for regular updates every two weeks to be able to closely monitor and consider developments in the Group and more widely during this period. As well as the Executive Directors, senior management are invited to attend and present at meetings of the Board and its Committees where appropriate.

All Directors devote ample time in order to discharge their duties both at and outside of Board meetings. Board and Committee meetings normally take place over the course of a whole day in London. A special two-day meeting was held in July 2019 to give additional focus to strategic matters in the Group and was attended by operational management from both Sasa and Kounrad. In addition, Non-Executive as well as Executive Directors visit the Group's operations when opportunities to do so arise.

The Board is well briefed in advance of meetings and receives high-quality, comprehensive reports to ensure matters can be given thorough consideration. There is an appropriate balance of influence within the Board which, as a result, is not dominated by one person or group of individuals. The Independent Non-Executive Directors constructively challenge the Executive Directors and the resulting Board debates are always robust and sometimes lively. The open and direct forum for discussion ensures the deliberations during meetings lead to decisions reached by the Board collectively in alignment with the core values of the Company.

QCA Code Principle:

→ Establish a strategy and business model which promotes long-term value for shareholders

ATTENDANCE AT BOARD MEETINGS

The attendance of current Board and Committee members at the scheduled meetings and calls, as compared with the number of meetings held during 2019 is shown below.

Director	Board (five meetings)	Audit (five meetings)	Remuneration (eight meetings)	Nomination (one meeting) ⁴	Sustainability (three meetings)
Nick Clarke	👤👤👤👤👤 ¹	👤		👤 ¹	👤👤 ²
Nigel Robinson	👤👤👤👤👤	👤 👤	👤 👤 👤 👤		👤👤
Gavin Ferrar	👤👤👤👤👤	👤👤👤👤👤	👤👤		
Nigel Hurst-Brown	👤👤👤👤👤	👤👤👤👤👤	👤👤👤👤👤👤👤	👤	
Robert Cathery	👤👤👤👤👤	👤	👤👤👤👤👤👤 ¹	👤	
Roger Davey	👤👤👤👤👤	👤👤👤👤👤		👤	👤👤 ¹
David Swan	👤👤👤👤👤	👤👤👤👤 ¹	👤👤👤👤👤👤	👤	
Nurlan Zhakupov	👤👤👤👤👤	👤		👤	👤👤
Dr Gillian Davidson ³	👤				

👤 Meetings attended 👤 Non attendance 👤 Non-committee member invited to attend some or all of a meeting

- 1 Denotes Chair status.
- 2 Nick Clarke was unavoidably unable to attend two Sustainability Committee meetings due to the meetings being moved (with the agreement of the Committee Chairman) to a time when Mr Clarke 1. was due to be overseas on other Company business and 2. was not available.
- 3 Appointed to the Board, and as a member of the Nomination Committee and Chair of the Sustainability Committee, on 2 December 2019.
- 4 The members of the Nomination Committee also met informally during the year to consider specific matters.

Directors do not attend meetings (or parts of meetings) of the Remuneration Committee when the Committee is deciding matters in relation to such Directors' Remuneration.

All Directors on the Board at that time attended the AGM.

BOARD COMPOSITION

We have a well-balanced Board, constituted as follows:

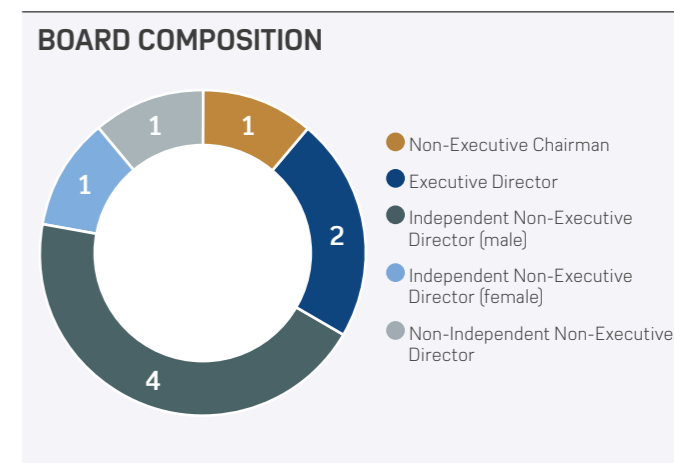
Non-Executive Chairman: Nick Clarke.

Two Executive Directors: Nigel Robinson and Gavin Ferrar.

Six Non-Executive Directors:

Five are considered fully independent: Nigel Hurst-Brown, Robert Cathery, Roger Davey and David Swan. This also includes our newest Board member, Gillian Davidson who joined the Board in December 2019.

One is based in Kazakhstan: Nurlan Zhakupov. Nurlan Zhakupov has received share awards from the Company and is therefore not considered to be fully independent.



BOARD REPORT CONTINUED

BOARD INDEPENDENCE

In line with the QCA Code, the Board has considered the independence of each Non-Executive Director, including assessment of their character, judgement, any business and other relationships which could significantly interfere with their ability to effectively discharge their duties. As part of this assessment, we also consider length of tenure. The Board considers that length of tenure alone is not necessarily a compromise to independence and is satisfied that the independence of none of the Non-Executive Directors has been compromised by this. As such, after taking account of all of these factors, the Board continues to consider Nigel Hurst-Brown, Robert Cathery, Roger Davey and David Swan to be independent Directors. Dr Gillian Davidson, who was appointed at the end of 2019, is also considered to be fully independent. The Board believes the addition of Dr Gillian Davidson as a new Independent Non-Executive Director along with our existing independent Board members, our other Non-Executive Director, Nurlan Zhakupov, and our Executive Directors provides an excellent balance of views, skills, personal qualities and depth of experience within the Board.

SUPPORT TO DIRECTORS

All Directors on the Board have access to, and the support of, the Company Secretary who acts as secretary to the Board and its Committees, reporting directly to their Chairs, advising on, and assisting on compliance with, relevant governance regulations and procedures. In addition, all Directors have unrestricted access to the Company's external advisers. Resources and training for their own personal development are also made available to Directors on an ongoing basis ensuring they have the necessary knowledge and skills to fulfil their roles effectively.

The role of the Company's Auditors is explained in more detail in the Audit Committee Report on pages 58 to 59.

THE BOARD AND CULTURE

Of course, commitment to good corporate governance in the boardroom is just one part of setting and maintaining an appropriate culture that aligns with our strategic goals and values. The Board, and its Committees set the tone for, and promote a healthy culture of openness, honesty, engagement and respect throughout the Group and with all of its stakeholders. The Board welcomes an open dialogue with these stakeholders be they investors, employees, governmental authorities or local communities. Decisions made by the Board collectively, supported by management, are taken in the context of this shared sense of purpose that comes with the continuous focus on culture throughout the Group's operations. We highlight the importance of communication and the flow of information throughout the Group to ensure consistency in our procedures. We also maintain strong internal policies including those relating to anti-bribery, share-dealing, sanctions and whistleblowing which are implemented by our teams.

SHAREHOLDER ENGAGEMENT

As mentioned above, we have embedded into our culture as a Group that maintaining a continual, open and active dialogue with our shareholders and other stakeholders plays an essential part in understanding their views and ensuring the long-term success of the Company. Whilst most engagement with the Company's institutional investors is through the Executive Directors and the Director of Corporate Relations, valuable feedback from shareholders is also communicated to, and discussed with, the other Board members. The Board as a whole recognises that the views of our investors should be considered as an important part of the Board's deliberations and decision-making processes as the Board has a duty to safeguard the interests of all stakeholders. The other Directors are also available to meet with investors where requested and all shareholders also have the opportunity to attend and ask questions at the Company's Annual General Meeting.

Where appropriate, as I mention in my Chairman's letter on page 48, we engage with our key shareholders on specific governance matters. Details of this, and our other stakeholder engagement activities during 2019, are set out in the table to the right.

Material information in relation to the Company is made publicly available via the London Stock Exchange's Regulatory News Service ('RNS'). Presentations on our full year and interim results are given to analysts and investors shortly after publication.





QCA Code Principles:

- Ensure that, between them, the directors have the necessary up-to-date experience, skills and capabilities
- Communicate how the company is governed and is performing by maintaining dialogue with shareholders and other relevant stakeholders

QCA Code Principle:

- Seek to understand and meet shareholder needs and expectations

STAKEHOLDER ENGAGEMENT ACTIVITIES

Q1	Q2	Q3	Q4
<ul style="list-style-type: none"> → Preparations for Annual Report, presentation of annual results and Annual General Meeting → Executive Director attendance at two global mining investor conferences <ul style="list-style-type: none"> — Mining Indaba, Cape Town — BMO Global Metals and Mining Conference, Miami 			 <p>CEO speaks at global mining investor conference, BMO</p>
<ul style="list-style-type: none"> → Q1 2019 Operations Update (10 April 2019) → 2018 results announcement (10 April 2019) and London roadshow attended by Executive Directors and Director of Corporate Relations → Annual Report publication → Annual General Meeting → Governance roadshow by Chairman of Remuneration Committee and Company Secretary 			 <p>CEO opens Kind Heart Centre for disabled children in Balkhash, Kazakhstan</p>
<ul style="list-style-type: none"> → H1 2019 Operations Update (10 July 2019) → 2019 interim results announcement (17 September 2019) and London roadshow attended by Executive Directors and Director of Corporate Relations → Chairman visits Kind Heart Centre for disabled children and opens new playground in Balkhash, Kazakhstan → ESG roadshow by Chairman and Director of Corporate Relations → Executive Directors attend community events around the annual Miner's Day celebrations in local town, Makedonska Kamenica, North Macedonia → Investor roadshow to New York and Toronto with CEO and Director of Corporate Relations 			 <p>The President of North Macedonia and senior ministers are welcomed to the Sasa mine in August 2019</p>
<ul style="list-style-type: none"> → Q3 2019 Operations Update (8 October 2019) → Site visit to Sasa, North Macedonia by Chairman of Sustainability Committee → Investor roadshows to Paris, Madrid and Zurich with CEO and Director of Corporate Relations → Chairman, CEO and CFO attended Mines and Money London conference → Chairman, CEO and CFO attended Minex Eurasia 2019 conference 			 <p>CAML attend the Mines and Money Outstanding Achievement Awards dinner</p>

AUDIT COMMITTEE REPORT



DAVID SWAN, CHAIRMAN OF THE AUDIT COMMITTEE

MEMBERS

Chairman – David Swan
Roger Davey
Nigel Hurst-Brown

ACHIEVEMENTS IN 2019

- Examined and recommended to the Board for approval the Group's half year and annual results, including the report from the CFO and from the Auditors.
- Considered the independence and tenure of auditors in light of best practice trends in corporate governance and led the tender process including the selection, evaluation, and remuneration of the external auditors throughout the audit cycle.
- The Audit Committee has been assigned the responsibility for risk management and has commenced evaluation of the effectiveness of the risk management framework.
- Ongoing review of the adequacy of the internal control mechanisms in place.
- Reviewed the Delegation of Authority procedure and the Treasury and Risk Management Policy.
- Met with Auditors and with management in order to agree items for the audit of accounts including: preliminary planning report, final audit plan, review of audit scope, and review of reporting timetables.

OBJECTIVES FOR 2020

- Risk management – having set up a separate Risk Committee, the Audit Committee is to oversee the setting and implementation of robust policies and procedures relating to risk management.
- New Auditor – the Audit Committee will be working with the newly appointed Auditor on areas of focus and the furtherance of the audit plan.
- Asset retirement obligation – the Audit Committee will, in cooperation with the Sustainability Committee and external advisers obtain an updated external assessment of the environmental decommissioning plan and cost.
- The Audit Committee closely monitors the publications and trends emerging from the FRC. This is soon to be replaced by the Audit Reporting and Governance Authority (AGA) and the Audit Committee will keep up to date with new developments as they evolve.

Dear Shareholder,

The primary role of the Audit Committee has been to assist the Board in the fulfilment of its responsibilities as they relate to external audit, financial reporting, and internal control. In the current period, the Audit Committee has also been assigned the responsibility for having the Risk Committee report to it. This is an evolving and continually improving area of our business. In the current public health situation and it has been very gratifying to witness how swiftly the management of COVID-19 risk has been implemented.

SIGNIFICANT ISSUES CONSIDERED BY THE COMMITTEE IN RELATION TO THE 2019 FINANCIAL STATEMENTS

- The Committee assessed management's determination of cash-generating units and review of impairment triggers as at 31 December 2019. The Committee considered the key judgments made by management in relation to discount rates, commodity price forecasts, operating and capital expenditure, and the mineral reserves and resources estimates. The Committee reviewed disclosures related to impairment tests in note 19 of the financial statements.
- The Committee assessed management's cash flow forecasts, potential risks as they may apply to the Group, resulting stress tests and the underlying assumptions which have been approved by the Board in relation to the uncertainty created by the COVID-19 pandemic. In doing so, the Committee was mindful of the regulatory guidance issued in recent days and weeks in this area. The Committee reviewed disclosures related to the going concern basis of preparation in note 2 of the financial statements.

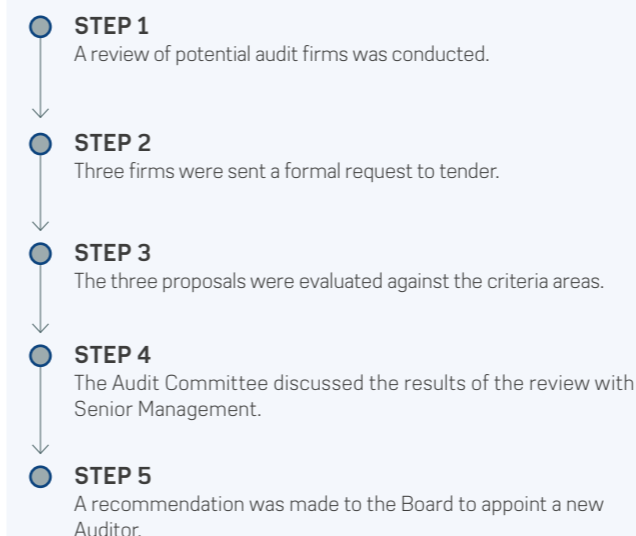
FINANCIAL REPORTING

The Audit Committee safeguards the integrity of the financial statements by ensuring that they are balanced and duly considered, fair, and understandable to shareholders as well as compliant with regulatory requirements. Throughout the year and alongside ordinary business, the Audit Committee considered issues relating to the appropriateness of key accounting policies and key judgements and estimates. The Audit Committee considered new issues relating to the Group's financial statements, within the areas of accounting standards, taxation and tax risks, materiality thresholds, and engaged in valuation of assets by reviewing impairment assessments.

EXTERNAL AUDITORS/INDEPENDENCE OF THE AUDITOR

The Audit Committee reviewed the position of the incumbent auditors as their tenure had extended from the early years of the Company's existence and the decision was made to run a tender process, as follows.

AUDIT TENDER PROCESS



Following a review of potential audit firms, three firms were sent a formal request to tender. The bid documents were to cover the criteria areas of experience, capabilities in our operating markets, audit quality, and value for money. The three proposals were all evaluated against the criteria areas and following review and discussion within the Audit Committee and with Senior Management, the recommendation was made to the Board to appoint BDO to audit the Group for the full year period ended 31 December 2019.

COMMITTEE FUNCTION

The members of the Audit Committee have the appropriate experience and skill sets to support the Company's governance systems, oversee internal controls, and review the presentation of the financial statements.

The Committee is made up of David Swan as the Committee Chairman, along with Roger Davey, and Nigel Hurst-Brown. David Swan is a qualified chartered accountant bringing a breadth of financial expertise to the role. Roger Davey is a mining engineer possessing wide sector-specific knowledge relevant to the business and Nigel Hurst-Brown has extensive finance and capital markets experience.

INTERNAL CONTROL

The Committee is responsible for oversight of the effectiveness of the Company's systems of internal controls. The key areas which the Committee assists the Board in monitoring and review include:

- Budgeting – budgets for each upcoming financial year are reviewed by the Audit Committee before they are recommended to the Board in full. The budgets as well as the annual budgeting process itself is reviewed by the Audit Committee.
- Long-term forecasts – the Audit Committee ensures long-term forecasts and the underlying assumptions and are properly reported to the Board.

- Management reporting – each month, the Group's financial performance and strength is monitored against the budget and is reported to the Board formally once a quarter.
- Monitoring – the Audit Committee engages in regular monitoring of internal controls through internal review and external audit by both auditors and other consultants, as required.

During the year, the Audit Committee was handed full responsibility for overseeing the Group's risk management. The Risk Committee, comprising executive management, reports into the Audit Committee. The Audit Committee oversees the Risk Management Committee, ensuring that risk management is addressed in an orderly and systematic way. The Audit Committee is then responsible for taking its recommendations to the Board.

RISK MANAGEMENT

The Risk Committee reports into the Audit Committee. It is the Audit Committee's responsibility to review those risks which are both high in consequence and likelihood of occurrence. The Audit Committee will consider the Risk Committee's management of these risks and report its conclusions to the Board of Directors.

Audit Committee representatives work closely with Risk Committee members to monitor progress towards an efficient and effective management of the risks which are relevant to the Group's business. Where applicable, the Audit Committee will ensure the annual audit plan appropriately tests the compliance of risk mitigation procedures.

WHISTLEBLOWING

The Group has an independently managed whistleblowing programme in operation, which extends to all employees across sites, allowing them to voice concerns confidentially on a wide range of matters. Our principles of transparency including "Speaking Out" have been incorporated into and reinforced by the recently implemented Code of Conduct. The rollout of the code affords tighter controls in our supply chains and reinforces our objective of maintaining a business which is free of bribery and corruption.

DAVID SWAN

CHAIRMAN OF THE AUDIT COMMITTEE
31 March 2020

QCA Code Principle:

- Embed effective risk management, considering both opportunities and threats, throughout the organisation

NOMINATION COMMITTEE REPORT



NICK CLARKE, CHAIRMAN OF THE NOMINATION COMMITTEE

MEMBERS

Chairman – Nick Clarke
Nigel Hurst-Brown, Robert Cathery, Roger Davey,
Gillian Davidson, David Swan, Nurlan Zhakupov

ACHIEVEMENTS IN 2019

- Appointment of new Non-Executive Director, Dr Gillian Davidson.
- Focused on succession planning for longer serving Non-Executive Directors.
- Implemented the action points arising from our first internal effectiveness review carried out in 2018.

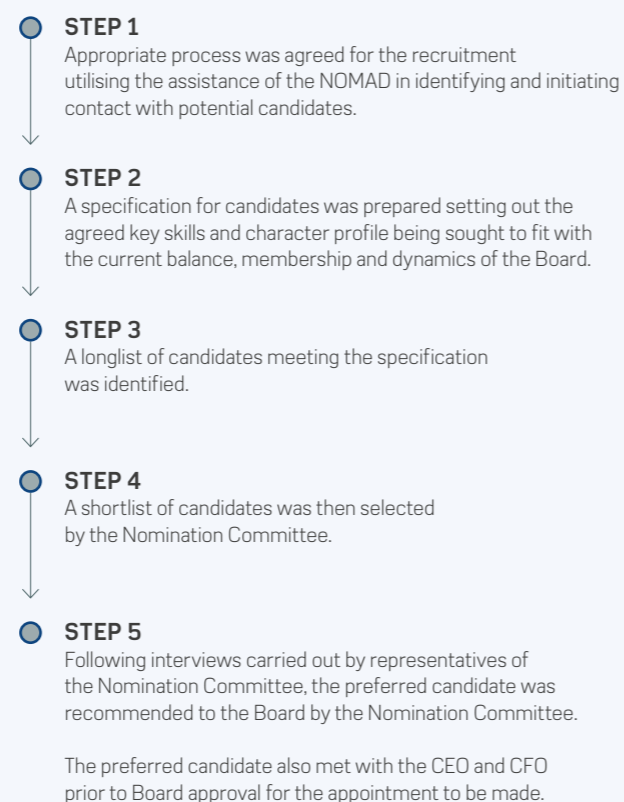
OBJECTIVES FOR 2020

- Continue the progressive refreshment of the Board.
- Ongoing development of succession planning.
- Continue the self-evaluation cycle and address any issues identified from this process.

The diagram below shows the selection process for the appointment of new Board members as followed by the Nomination Committee and concluding in the appointment of Dr Gillian Davidson to the Board at the end of 2019.

After a new Director is appointed, they receive an induction to familiarise themselves with the Company and its business. All Directors have unrestricted access to, and receive regular updates from, management to keep them abreast of the latest developments.

SELECTION PROCESS FOR THE APPOINTMENT OF NEW BOARD MEMBERS



BOARD DIVERSITY

In making recommendations for appointment, the Nomination Committee considers suitably qualified candidates of any ethnic background or gender. It also considers having a diversity of personal attributes as well as skills on the Board to be another important factor when selecting potential candidates. Roles are awarded on merit using objective criteria. On the Board we have nationals of three countries other than the UK and now have a gender mix. The key strengths of our Board members are set out in the chart on page 54. We feel that the appointment of Dr Gillian Davidson with her specialist background in sustainability matters enables us to have the appropriate balance of skills on the Board, in particular with regard to emerging trends and key areas of focus in the sector in which we operate.

SUCCESSION PLANNING

The Nomination Committee assesses the developing needs of the Company, not just in relation to the periodic refreshment of the Board but also to ensure contingency plans are in place for unexpected changes in addition to those being planned for the longer term. Given the current global economic conditions and the Board needing to act as a highly experienced and focused unit to navigate through these, the Nomination Committee has recommended and the Board intends that the current Directors should remain in position at present. This will be kept under review as conditions change.

EFFECTIVENESS REVIEW

In line with the QCA Code, and following on from our first internal effectiveness review carried out last year, the Committee, led by me as Chairman, completed a further internal evaluation of the effectiveness of the Board as a unit, its Committees and of the individual Directors. In doing so, we have also taken into account the outcomes of last year's review. The areas of focus arising from the 2018 evaluation and actions taken in response to these are shown in the table below:

Areas of focus arising from outcomes of 2018 evaluation	Action in 2019 in response to outcomes of 2018 evaluation
Continued development of long-term strategy	Business development and strategy updates given to every main Board meeting by management to ensure focus on this area is maintained.
A two-day meeting involving operational management and including a specific strategy review	In July we held a highly successful two-day meeting in London involving operational management.
Ongoing monitoring of risk management	Risk management monitoring processes were enhanced during 2019 with the introduction of a Risk Management Committee designated to oversee this area. Further details are set out in the report of the Audit Committee on page 59.
Succession planning for the Board over the coming years	This is an area of ongoing development for the Board. In 2019, supported by the Nomination Committee there was increased focus and review of succession planning, in particular in relation to the longer serving Non-Executive Directors as well as the appointment of Dr Gillian Davidson.

The 2019 internal evaluation process was again facilitated by the Company Secretary and followed a similar format to that of the prior year. This involved the completion of a confidential questionnaire by each Director covering the categories set out below. The assessment of my performance as Chairman of the Board was led by Nigel Hurst-Brown as Deputy Chairman. In line with the QCA Code, the Board's review of performance was based on clear and relevant objectives, seeking continuous improvement.

The questionnaire was structured to encourage thorough feedback which was then reported to the Board, on an unattributed basis, covering the following areas:

- Strategy
- Shareholders
- Stakeholders
- Risk Management
- Board Dynamics
- Succession Planning
- Individual Directors
- The Chairman
- Audit Committee
- Remuneration Committee
- Sustainability Committee
- Nomination Committee
- Any other matters Directors wished to raise

The report on the responses received was reviewed and discussed by the Board. The responses in relation to my performance as Chairman were provided to Nigel Hurst-Brown as Deputy Chairman to discuss with the other Non-Executive Directors.

As a result of the assessment, areas identified for focus over the coming year included:

- continued development of clear long-term strategy;
- continued enhancement of activities in relation to stakeholders;
- ongoing development of risk management; and
- succession planning for the Board over the coming years.

NICK CLARKE
CHAIRMAN OF THE NOMINATION COMMITTEE
31 March 2020

QCA Code Principle:

- Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

REMUNERATION COMMITTEE REPORT



ROBERT CATHERY, CHAIRMAN OF THE REMUNERATION COMMITTEE

MEMBERS

Chairman – Robert Cathery
Nigel Hurst-Brown, David Swan

ACHIEVEMENTS IN 2019

- Completing transition to new Long-Term Incentive Plan structure.
- Increased transparency of reporting in executive remuneration.
- Incorporated investor views into executive remuneration.
- Improved the balance between objectives related to the business and linked to shareholder returns.

OBJECTIVES FOR 2020

- Continue to ensure the balance between long-and short-term incentives aligns with the Group's growth strategy.
- Continue to engage with shareholders on remuneration matters.
- Develop short-and long-term incentive targets appropriate to the economic environment.

Dear Shareholder,

The role of the Committee is to decide the remuneration of the Executive Directors and the Chairman, to oversee wider remuneration, and to determine participation and award levels under the Group's Long-Term Incentive Plan. The past year has been a particularly busy year for this Committee. Indeed, in 2019, we had eight Remuneration Committee meetings as well as numerous informal discussions between meetings.

In this report, I aim to give you an insight into our activities in the year which are driven by our aim to incentivise management in the interests of our shareholders and other stakeholders over the long term. I cover three key areas of our work:

- The restructuring of our long-term incentives which we have substantially changed since my report last year.
- The reporting format which we have newly adopted this year as part of CAML's overall aim of increasing transparency in our governance work.
- Other elements of the remuneration of our Executive Directors.

LONG-TERM INCENTIVE PLAN

Background

The Committee has been operating the current LTIP since 2011. The LTIP has helped incentivise the Executive Directors and senior managers and we believe that this has been reflected in the total shareholder returns ('TSR'), which combine share price changes and dividends. Obviously, TSR in the course of this year have been severely impacted by the global economic situation.

LTIP awards, up to and including 2018, were granted on the basis of one third of the grant amount vesting per annum, commencing around one year after the date of grant, subject to the achievement of business and operational performance conditions in the year of grant. Normally, such awards to Executive Directors were equivalent in face value at grant to 100% of their salary.

Although that structure had served CAML well, as we entered 2019, we felt that this approach did not sufficiently align the CAML team's remuneration with the Company's shareholders and we should move towards more typical awards for public company long-term incentives. Accordingly, as I anticipated in last year's Annual Report, we transitioned the structure of LTIP in 2019 and put in place arrangements to ensure this continued to act as an effective incentive for the management team.

2019 LTIP

For the LTIP awards granted in 2019, we made three key changes:

- Awards would vest only after three years rather than at the rate of one third per annum.
- Awards were made subject to a performance target of the compound annual growth rate of absolute TSR measured over three years on sliding scales up to a maximum of 20%, thereby seeking to address alignment with shareholders.
- The award level was increased from 100% of salary to 150% of salary to compensate management's transition from awards vesting annually to vesting after three years.

We believe these were good first steps in the development of the LTIP during the year, whilst recognising there would be more work to do.

Governance roadshow

As mentioned by Nick Clarke in his Chairman's letter on page 5, he and I led a governance roadshow during 2019. This was partly to explain more fully to shareholders our governance arrangements, and partly to seek their feedback on how they would like to see these continue to be developed.

During this roadshow, we found universal support from shareholders for us having moved to the three-year vesting period for the 2019 awards onwards. In relation to performance conditions, most shareholders indicated they would prefer relative TSR as opposed to absolute TSR as a performance metric, and many shareholders expressed a preference for the introduction of longer-term business and operational targets as well.

2020 LTIP awards

Taking account of feedback received from shareholders, we were close to finalising the next stage of development for our 2020 awards. When these awards were granted, they were to be on performance conditions incorporating relative TSR, operational and sustainability targets. However, the current global economic turmoil resulting from the COVID-19 crisis has led us to the difficult decision to defer finalisation of the 2020 LTIP awards until the general economic outlook is clearer and we can determine targets that are meaningful and will act as a genuine incentive over the long term. The overall structure of the awards is though, intended to remain similar to those issued in 2019.

Other elements of remuneration

As well as maintaining the same level of LTIP awards, there have been no significant changes in the other elements of the remuneration of Executive Directors.

Nigel Robinson and Gavin Ferrar have been awarded inflationary increases in salary with effect from 1 January 2020 in line with increases in staff pay across the Group as a whole. As a result, Nigel Robinson's salary as CEO is now £365,000 per annum (2019: £350,000) and Gavin Ferrar's salary as CFO is now £300,000 per annum (2019: £285,000).

The maximum possible 2020 bonus for Executive Directors remains at the same level as 2019 at 100% of salary. Details of the annual bonus for 2019 and 2020 are shown on page 67.

Nick Clarke has transitioned from Executive Chairman to Non-Executive Chairman with effect from 1 January 2020. As a result, he is now paid fees of £175,000 per annum plus, for 2020 only, an additional £10,000 as he relinquishes the executive benefit package. Nick will no longer receive an annual bonus (2019: up to 100% of salary) or new LTIP awards (2019: 150% of salary).

Increased transparency in reporting

This report aims to give shareholders insight into our considerations and reasoning in arriving at the current remuneration structure.

Following this letter is a table summarising our remuneration policy. Whilst variations are possible, this is the policy that we followed in 2019 and are following in 2020. We intend to continue with this approach going forward unless the Remuneration Committee considers variations are justified. We also include an implementation report giving more detail on how the policy has been applied both for 2019 and for 2020.

Conclusion

We hope that shareholders will find the increased transparency of our reporting this year to be helpful, and that they are supportive of the changes we have made in executive remuneration, particularly in relation to the LTIP.

We are grateful for the feedback from shareholders during the course of 2019. This has been shared with the Remuneration Committee as well as the Board and has helped inform our work. I always welcome such engagement and am happy to answer any questions or receive any further feedback that shareholders may have.

ROBERT CATHERY

CHAIRMAN OF THE REMUNERATION COMMITTEE
31 March 2020

REMUNERATION COMMITTEE REPORT CONTINUED

DIRECTORS' REMUNERATION POLICY

As an AIM quoted company following the QCA code, CAML is not required to have a binding remuneration policy for its Directors. Nonetheless both the Board and the Remuneration Committee believe that transparency of the policy under which Directors' remuneration is structured is beneficial to shareholders. Accordingly, this remuneration policy is set out in the table below. It is subject to variation where the Remuneration Committee considers appropriate though no variations were made in 2019 and none are intended in 2020.

Remuneration Policy table

Element and purpose

Base salary

This is the core element of pay and reflects the individual's role and responsibilities within the Group with some adjustment to reflect their capability and contribution.

Policy and operation	<p>Base salaries are determined each year by the Committee.</p> <p>Salary levels are reviewed by reference to public companies in the sector of a similar size and complexity. The Committee also has regard to other relevant factors including corporate and individual performance and any changes in an individual's role and responsibilities.</p> <p>Base salary is paid monthly in cash.</p> <p>Changes to base salaries normally take effect from 1 January.</p>
Level	The Remuneration Committee will apply the factors set out in the section above in considering any salary adjustments during the duration of this policy. Increases in base salaries for Executive Directors will be generally guided by any increases for the broader employee population, but on occasion may need to recognise, for example, an increase in the scale, scope or responsibility of the role. No increase will be made if it would take an Executive Director's salary above the level the Committee considers is justified by these factors.
Performance measures	N/A

Benefits

To provide benefits valued by recipients.

Policy and operation	<p>The Group provides benefits to all employees, including the Executive Directors. The Executive Directors receive private medical cover and insurance benefits. The Remuneration Committee reserves discretion to introduce new benefits where it concludes that it is in the interests of CAML to do so, having regard to the particular circumstances and market practice.</p> <p>Where appropriate, the Company may meet certain costs relating to Executive Director relocations and (if appropriate) expatriate benefits.</p>
Level	The Remuneration Committee sets such benefits within overall market practice and ensures that the overall costs do not increase by more than the Remuneration Committee considers to be appropriate in all the circumstances.
Performance measures	N/A

Pension

To provide retirement benefits.

Policy and operation	Executive Directors receive pension contributions to Company or personal pension arrangements or the equivalent amount can be paid as a cash supplement in lieu of pension contributions (reduced for the impact of employers' National Insurance Contributions).
Level	The amount of employer's contribution is approximately 6% of base salary per annum which is aligned with other employees.
Performance measures	N/A

Element and purpose

Annual Bonus Plan

To motivate employees and incentivise delivery of performance over a one-year operating cycle, focusing on the short/medium-term elements of our strategic aims.

Policy and operation	<p>Annual Bonus Plan levels and the appropriateness of measures are reviewed annually to ensure they continue to support the Group's strategy.</p> <p>Annual Bonus Plan outcomes are calculated following the determination of achievement against performance measures and targets.</p>
Level	The normal maximum of Annual Bonus Plan outcome for an Executive Director is 100% of base salary per annum.
Performance measures	<p>The performance measures applied may be financial or non-financial, corporate, divisional or individual and in such proportions as the Remuneration Committee considers appropriate. They are typically a blend of corporate targets such as production, cost control and sustainability achievements as well as individual KPIs.</p> <p>Once set, performance measures and targets will generally remain unchanged for the year, except to reflect events (such as major transactions) where the Committee considers it necessary in its judgement to make appropriate adjustments to the targets applying before such event.</p> <p>The Annual Bonus Plan remains a discretionary arrangement and the Remuneration Committee retains a standard power to apply its judgement to adjust the outcome of the Annual Bonus Plan for any performance measure (from zero to any cap) should it consider that to be appropriate.</p>

Long-term incentives

To motivate and incentivise delivery of sustained performance over the long term, and to promote alignment with shareholders' interests, the Group operates a Long-Term Incentive Plan.

Policy and operation	<p>Awards under the LTIP are typically granted as options which vest to the extent that performance conditions are satisfied over a period of at least three years.</p> <p>Awards are normally granted at nominal cost (\$0.01) per share although can be granted at nil-cost under the rules.</p> <p>Under the LTIP rules, vested awards may also be settled in cash (although this will typically be the case only if decided appropriate by the Committee in particular circumstances).</p> <p>If appropriate, dividend entitlements will accrue until the end of the holding period in respect of performance-vested shares and be delivered as additional vesting shares.</p>
Level	The normal level under the LTIP is for awards over shares worth 150% of base salary in a financial year. This excludes any dividend equivalent accruals.
Performance measures	<p>The Remuneration Committee may set such performance measures on LTIP awards as it considers appropriate (whether financial or non-financial, and whether corporate, divisional or individual).</p> <p>Once set, performance measures and targets will generally remain unaltered unless events occur which, in the Remuneration Committee's opinion, make it appropriate to alter the performance conditions in such manner as the Committee thinks fit. Performance conditions would only be altered this way for factors that could not be foreseen at the time of grant of the awards and significantly distort the operation of the intended performance conditions (positively or negatively). Performance may be measured over such periods as the Remuneration Committee selects at grant, which will not normally be less than, but may be more than, three financial years.</p>

REMUNERATION COMMITTEE REPORT CONTINUED

Element and purpose

Chairman and other Non-Executive Director fees

To enable the Company to recruit and retain a Chairman and Non-Executive Directors of the highest calibre, at the appropriate cost.

Policy and operation	<p>The fees paid to the Chairman and the fees of the other Non-Executive Directors aim to be competitive with other listed companies of equivalent size and complexity, and to take account of the time commitment of the Directors.</p> <p>The fees payable to the Non-Executive Directors are determined by the Board. The fees payable to the Chairman are determined by the Remuneration Committee.</p> <p>All fees will be subject to periodic review. For Non-Executive Directors, the fee structures may involve separate fees for chairing, for membership of Board Committees or for acting as Deputy Chairman or Senior Independent Director, or for performing specific services.</p> <p>No benefits are normally envisaged for the Non-Executive Directors but the Company reserves the right to provide benefits (including travel and office support).</p> <p>Fees are paid monthly in cash.</p>
Level	The Chairman and Non-Executive Directors are paid fees comparable in relation to other companies taking account of their respective roles, responsibilities and time commitment. Any increases made will be appropriately disclosed.
Share awards	Share awards will not normally be granted to Non-Executive Directors. If exceptional share awards are granted to Non-Executive Directors, those Non-Executive Directors shall not normally be counted amongst the independent Directors under the Quoted Companies Alliance (QCA) Code.
Performance measures	N/A
Changes from previous policy	No material changes.

IMPLEMENTATION REPORT**Directors' remuneration**

The table below sets out the total remuneration in respect of qualifying services for both Executive and Non-Executive Directors for the financial year 2019:

	2019 Basic salary/ fees \$'000	2019 Annual bonus \$'000	2019 Pension \$'000	2019 Benefits in kind \$'000	2019 Total \$'000	2018 Total \$'000
Executive Directors:						
Nick Clarke ¹	318	298	19	13	648	808
Nigel Robinson	446	418	27	13	904	807
Gavin Ferrar	363	340	22	–	725	665
Non-Executive Directors:						
Nigel Hurst-Brown	127	–	–	–	127	133
Robert Cathery	102	–	–	–	102	107
Nurlan Zhakupov	95	–	–	–	95	100
David Swan	102	–	–	–	102	107
Roger Davey	101	–	–	–	101	107
Dr Gillian Davidson ²	8	–	–	–	8	–
Kenges Rakishev ³	–	–	–	–	–	40
Directors' aggregate emoluments	1,662	1,056	68	26	2,812	2,874

¹ Nick Clarke was Executive Chairman during the year. On 1 January 2020 he became Non-Executive Chairman.

² Dr Gillian Davidson joined the Board on 2 December 2019.

³ Kenges Rakishev retired from the Board on 23 May 2018.

The benefits receivable by Executive Directors include private medical and dental insurance.

The aggregate emoluments of the highest paid Director totalled \$904,000 (2018: \$808,000). No Director has a service agreement with the Company that is terminable on more than six months' notice. Details of Executive Director service agreements are set out on the Remuneration Policy table on page 68.

Salaries for Executive Directors for 2020

The Executive Directors have each signed a service agreement with the Company. Under the terms of these service agreements, the Executive Directors are entitled to a salary (which is denominated in pounds Sterling) as set out below.

	2020 Salary £'000	2019 Salary £'000
Nigel Robinson (Chief Executive Officer)	365	350
Gavin Ferrar (Chief Financial Officer)	300	285

Annual bonus measures

The table below sets out the performance measures and weightings between these:

Metric	2019 Weighting	2020 Weighting
Production		
Production across all operations	40%	40%
Financial/Operational		
C1 cash cost and unit cost of mined ore	20%	20%
Safety		
LTIFR measures	20%	20%
Personal performance		
Individual assessment	20%	20%

Executive Directors can earn up to a maximum bonus potential of 100% of salary based on these measures. In 2019, each Executive Director earned 91% (2018: 80%) of the maximum bonus potential.

Directors' option awards

	As at 1 Jan 2019 Number ¹	Granted/ awarded Number	Dividends Number	Lapsed Number	Exercised Number	As at 31 Dec 2019 Number ¹	Exercisable at 31 Dec 2019 Number ¹
Nick Clarke	1,453,397	167,710	78,271	–	–	1,699,378	1,257,841
Nigel Robinson	782,278	234,794	48,037	–	–	1,065,109	640,880
Gavin Ferrar	657,745	191,189	39,235	–	–	888,169	481,685
Nurlan Zhakupov	243,570	–	16,615	–	–	260,185	253,343
Total	3,136,990	593,693	182,518	–	–	3,912,841	2,633,749

¹ This includes the number of shares covered by such awards increased in terms of the relevant plan rules by the value of dividends as if these were reinvested in Company shares at the dates of payment.

The options in the table above have been granted to the Executive Directors under the Central Asia Metals Employee Share Plan 2011:

- Options granted in 2019 are subject to a performance target. The performance target relates to the level of absolute total shareholder return compound annual growth rate of the value of the Company's shares over the performance period of three financial years ending 31 December 2021. Awards do not vest until the third year from the date of grant.
- For the options granted in 2018, the performance conditions to which these awards were subject were substantially met to the extent of 80% of the total. The awards therefore vest in tranches of one-third per annum commencing on 31 March on the first, second and third years after grant.
- Additional options were also granted to the Executive Directors in 2018 in connection with the acquisition of Sasa by the Group and are not subject to performance conditions other than continued service. The additional awards granted in 2018 therefore vest at the rate of one-third per annum commencing on 31 March 2019.

REMUNERATION COMMITTEE REPORT CONTINUED

DIRECTORS' INTERESTS

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

Director	Shares held as at 31 Dec 2019	Shares held as at 31 Dec 2018
Nick Clarke (Chairman) ¹	1,342,887	1,342,887
Nigel Robinson (Chief Executive Officer) ¹	646,715	646,715
Gavin Ferrar (Chief Financial Officer)	–	–
Nigel Hurst-Brown (Deputy Chairman)	909,065	909,065
Robert Cathery ²	2,105,254	2,105,254
Roger Davey	–	–
Dr Gillian Davidson	–	–
David Swan	3,000	3,000
Nurlan Zhakupov	–	–
Total Directors' interests	5,006,921	5,006,921

- 1 These shares are held jointly with the Company's EBT under a joint share ownership plan. All share awards were made prior to the 2010 IPO and vested upon its successful completion.
- 2 250,000 (2018: 250,000) shares held by Elizabeth Cathery, the wife of Robert Cathery; 1,355,254 (2018: 1,355,254) shares held by Robert Cathery; and 500,000 (2018: 500,000) shares held by Robert and Elizabeth Cathery are included in the above amounts.

2020 LTIP KPIs

The plans and performance measures for the LTIP grants planned to be made in 2020 are commented upon on page 63.

Non-Executive Director remuneration

The Non-Executive Directors, including the Chairman, have each signed a letter of appointment. Under the terms of these letters, the Non-Executive Directors are entitled to an annual fee (which is denominated in pounds Sterling) as set out below.

	2020 and 2019 Fee £'000*
Nick Clarke (Non-Executive Chairman) ¹	175
Nigel Hurst-Brown (Deputy Chairman)	100
Robert Cathery ²	80
Roger Davey	75
Gillian Davidson ³	80
David Swan ⁴	80
Nurlan Zhakupov	75

* The amounts as set out in the table above are paid in £ and reported in US\$ on page 66.

- 1 Nick Clarke has transitioned from Executive Chairman to Non-Executive Chairman with effect from 1 January 2020. As a result, he is now paid fees of £175,000 per annum plus, for 2020 only, an additional £10,000 as he relinquishes the executive benefit package.
- 2 This comprises a base fee of £75,000 and £5,000 Committee Chair fee for the role of Chairman of the Remuneration Committee.
- 3 This comprises a base fee of £75,000 and £5,000 Committee Chair fee for the role of Chair of the Sustainability Committee.
- 4 This comprises a base fee of £75,000 and £5,000 Committee Chair fee for the role of Chairman of the Audit Committee.

Further details on the Non-Executive Director and Non-Executive Chairman letters of appointment are set out under 'Service Contracts' to the right.

SERVICE CONTRACTS

Executive Directors

The Committee's policy is that each Executive Director's service agreement should be of indefinite duration, subject to termination by the Company or the individual on six months' notice. The service agreements of both Executive Directors comply with that policy. In addition, the Company has the discretion to pay them in lieu of their notice period or to place them on gardening leave. In the event of a change of control of the Company as defined in the service agreements, 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 agreements also contain customary post-termination restrictions.

The date of each Executive Director's service agreement is:

Name	Date of service contract
Nigel Robinson	24 September 2010
Gavin Ferrar	4 December 2017

The service agreements of the Executive Directors are available for inspection at the Company's registered office during normal business hours and at the Company's AGM, including the 15 minutes preceding the meeting.

Chairman and Non-Executive Directors

Each Non-Executive Director appointment is subject to periodic renewal, in terms of the Company's Articles of Association, at the AGM. For Non-Executive Directors, other than the Chairman, these engagements can be terminated by either party on one months' notice. For the Chairman, the appointment is subject to termination by the Company or the individual on six months' notice.

The Chairman and Non-Executive Directors are not entitled to any pension benefits and are not entitled to any payment in compensation for early termination of their appointment beyond the notice periods referred to above.

The letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and at the Company's AGM, including the 15 minutes preceding the meeting.

TERMINATION POLICY SUMMARY

It is appropriate for the Committee to consider treatment on a termination having regard for all of the relevant facts and circumstances available at that time. This policy applies both to any negotiations linked to notice periods on a termination (see 'service contracts' on page 68) and any treatments that the Committee may choose to apply under the discretions available to it under the terms of the Annual Bonus Plan and the LTIP.

The potential treatments on termination under these plans are summarised in the table below.

Incentives	If a leaver is deemed to be a 'good leaver', e.g. leaving through disability or otherwise at the discretion of the Committee	If a leaver is leaving for other reasons	Other exceptional cases, e.g. change in control
Annual Bonus Plan	The Committee has the discretion to determine the annual bonus which will typically be limited to the period actually worked.	No awards made.	The Committee has the discretion to determine the annual bonus.
LTIP	Receive a prorated award subject to the application of the performance conditions at the end of the normal vesting period	All awards will normally lapse.	Receive a prorated award subject to the application of the performance conditions at the date of the event, subject to standard Committee discretions to vary time prorating.
	The Committee retains standard discretions to vary time prorating, release any holding period, or accelerate vesting to the date of cessation (determining the performance conditions at that time) for a good leaver.		

The Company has the power to enter into settlement agreements with Directors and to pay compensation to settle potential legal claims. In addition, and consistent with market practice, in the event of the termination of an Executive Director, the Company may pay a contribution towards that individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees will be disclosed as part of the detail of termination arrangements. For the avoidance of doubt, the policy does not include an explicit cap on the cost of termination payments.

EXTERNAL APPOINTMENTS

The Company's policy is to permit an Executive Director to serve as a Non-Executive Director elsewhere when this does not conflict with the individual's duties to the Company and, where an Executive Director takes such a role, they will be entitled to retain any fees which they earn from that appointment.

STATEMENT OF CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE GROUP

Pay and employment conditions generally in the Group are taken into account when setting Executive Directors' remuneration.

The Committee receives regular updates on overall pay and conditions in the Group.

The same reward principles guide reward decisions for all Group employees, including Executive Directors, although remuneration packages differ to take into account appropriate factors in different areas of the business:

Annual bonus – the majority of Group employees participate in an Annual Bonus Plan, although the quantum and balance of corporate to individual objectives varies by level.

LTIP – key Group employees participate in the LTIP currently based on the same performance conditions as those for Executive Directors, although the Committee reserves the discretion to vary the performance conditions for awards made to employees below Board level.

CONSIDERATION OF SHAREHOLDERS' VIEWS

The Remuneration Committee takes into account the approval levels of remuneration-related matters at our AGM in determining that the current Directors' remuneration policy remains appropriate for the Company, and considers any specific representations made by our shareholders on pay matters.

The Remuneration Committee also seeks to build an active and productive dialogue with investors on developments on the remuneration aspects of corporate governance generally and any changes to the Company's Executive pay arrangements in particular.

During 2019, the Chairman and Remuneration Committee Chairman engaged with shareholders on governance matters through a governance roadshow. The feedback from this roadshow was reported as appropriate to the Board and Remuneration Committee and was taken into account in their deliberations.

SUSTAINABILITY COMMITTEE REPORT



GILLIAN DAVIDSON, CHAIR OF THE SUSTAINABILITY COMMITTEE

MEMBERS


Chair – Dr Gillian Davidson
 Nick Clarke, Nigel Robinson, Roger Davey, Nurlan Zhakupov

ACHIEVEMENTS IN 2019

- Updated the Committee's name and mandate to focus on sustainability matters throughout the Group
- Produced a separate Sustainability Report for the 2019 financial year to enhance reporting and disclosure in this area of critical importance
- Reviewed the scope and responsibilities of the Committee and put in place formal terms of reference
- Full disclosure on tailings storage facilities in line with the Church of England Pensions Board 'Investor Mining and Tailings Safety Initiative'
- The appointment of a new Committee Chair, an industry leader in sustainability, with significant experience in the extractives and natural resources sectors

OBJECTIVES FOR 2020

- Further develop reporting on sustainability matters, building on the enhancements to disclosures made during 2019
- Further develop CAML's sustainability strategy and targets
- Move to electronic communications where possible
- Maintain ongoing stakeholder engagement

ENVIRONMENTAL IMPACT 

As part of CAML's commitment to reducing the impact of its activities on the environment, shareholders can help us by choosing to receive future communications in electronic format by visiting our Registrar Computershare's website at www.investorcentre.co.uk/ecomms and providing an email address.

Dear Shareholder,

I joined the Committee as Chair at the end of 2019 and am pleased to be building on the achievements to date under Roger Davey's leadership. I look forward to sharing my experience and expertise in this area as we build on our pledge to enhance and develop our performance as a sustainable business and, in doing so, progress with our new initiatives and enhanced reporting disclosures in the coming year.

The Board established the Corporate Social Responsibility Committee in 2012 in recognition of the importance of these activities. CAML's long-standing commitment in this area supports our view that we consider, as an international and expanding Company, these areas to be fundamental in the operation of an ethical and sustainable business. To reflect the ever-increasing focus on sustainability matters throughout the Group, we changed the Committee's name to the Sustainability Committee in late 2019. Following an ESG roadshow undertaken by Nick Clarke and our Director of Corporate Relations, we took on board feedback from our major shareholders and committed to shortly publishing our first Sustainability Report. This is an important milestone for us as a business and demonstrates our openness to disclosing our achievements, experiences and challenges in the sustainability field. The report is structured around a desk-based materiality assessment which identified key sustainability topics for us as a business, and we give granularity on these areas in this forthcoming document. CAML's Sustainability Report will be available on the Company's website: www.centralasiametals.com.

THE ROLE OF OUR SUSTAINABILITY COMMITTEE

The Committee met three times during 2019. At every meeting the Committee receives and reviews regular reports for both Sasa and Kounrad in relation to health and safety, environmental and social matters. The Committee is responsible for the review of the Group's corporate ESG performance, in particular in relation to governance. This includes overseeing diversity in the Group as a key part of Company sustainability. The Committee also reviews and makes recommendations to the Board in relation to the Group's local community projects where we place a strong focus on health and education in partnership with local organisations. The Committee also receives presentations from members of operational management as appropriate. The Sustainability Committee liaises closely with the Sustainability Director to ensure that the Board is updated on matters from every meeting.

We are proud of the Group's achievements to date in terms of corporate social responsibility, particularly in relation to our ongoing partnership with the communities in which we work and of our efforts to minimise the impact to the environment in which we operate. CAML continues to believe that the health and safety of our employees and contractors, preserving the environment and supporting vibrant and sustainable communities are extremely important matters. A more detailed summary of sustainability matters in the Group is given in on pages 30 to 33 and, as mentioned above, in our separate Sustainability Report.

These core areas will remain the focus of the Sustainability Committee and across the Group as a whole as we continuously strengthen our processes in order to conduct our business in the most ethical and sustainable way possible.

SCOPE AND TERMS OF REFERENCE

We have adopted formal terms of reference defining the scope and responsibilities of the Sustainability Committee. These have been closely aligned with that of the Audit Committee to ensure both Committees are able to operate together as efficiently as possible, each covering their relevant areas of responsibility to minimise overlap in their duties. This enables the Sustainability Committee to focus on the health and safety, environmental, social and corresponding governance aspects of its remit. The Committee's terms of reference can be found on the Group's website together with the Group's Sustainability Policy.

STAKEHOLDER ENGAGEMENT

The Sustainability Committee supports the Board as it seeks to build good relationships with stakeholders including workforce, local communities, investors, supply chain and customers, NGOs and governments and continuously aims to understand their needs, interests and expectations. The Directors meet with shareholders and stakeholders, including workforce representatives, community leaders and government officials where appropriate. Details of stakeholder engagement activities can be found on page 57.

THE FUTURE FOR SUSTAINABILITY

I am enthusiastic about building on the strong sustainability foundations embedded into the business by the Committee's previous Chairman, Roger Davey, our Sustainability Director, Nick Shirley, and the Board. I thank Roger Davey for his efforts leading this important part of our business to date, and look forward to creating in the future an even stronger and more integrated focus on sustainability for our business, and for our communities and the environment in which we live.

DR GILLIAN DAVIDSON

CHAIR OF THE SUSTAINABILITY COMMITTEE
 31 March 2020

QCA Code Principles:

- Take into account wider stakeholder and social responsibilities and their implications for long-term success
- Promote a corporate culture that is based on ethical values and behaviours

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2019.

Details of significant events since the balance sheet date are contained in note 37 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 North 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 47 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 final 2018 dividend of 8 pence per Ordinary share of \$0.01 each ('Share') was paid on 20 May 2019 and a 2019 interim dividend of 6.5 pence per Share was paid on 25 October 2019.

The Company's 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.

Given the current period of uncertainty, the Company has decided not to recommend a 2019 final dividend. The situation regarding COVID-19 and its potential impact on the global economy and CAML's operations remains uncertain and is rapidly changing. The Company believes that, currently, preserving cash is the most prudent approach. Total dividends for the year therefore relate solely to the interim dividend and amount to 6.5 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 were as follows:

Nick Clarke (Chairman)
Nigel Robinson (Chief Executive Officer)
Gavin Ferrar (Chief Financial Officer)
Nigel Hurst-Brown (Deputy Chairman)
Robert Cathery
Roger Davey
Dr Gillian Davidson (appointed 2 December 2019)
David Swan
Nurlan Zhakupov

Biographical details of the current Directors are set out on pages 52 to 53. The Directors' interests in the Ordinary Share capital of the Company and any interests known to the Company of their connected persons are set out in the Report of the Remuneration Committee commencing on page 62.

At every Annual General Meeting ('AGM'), any Director who has been a Director at each of the two last AGMs and was not appointed or reappointed at either of those meetings, is required to retire and is eligible for reappointment. This year, Nick Clarke, Nigel Robinson, Gavin Ferrar, Nigel Hurst-Brown and Robert Cathery are required to retire and be reappointed in this manner. In addition, any Director appointed by the Board since last year's AGM retires, and if appropriate, seeks reappointment. Dr Gillian Davidson is accordingly required to retire and is being proposed for reappointment at this meeting.

DIRECTORS' INDEMNITY INSURANCE

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

SUBSTANTIAL SHAREHOLDING

At the date of this report the Company has been notified or is aware of the following interests in the Shares of the Company of 3% or more of the Company's total issued share capital (excluding treasury shares).

	No. of Shares	% of voting rights ¹
JO Hambro Capital Management	17,751,417	10.08%
Orion Mine Finance	15,248,528	8.66%
FIL Investment International	14,955,458	8.50%
BlackRock Investment Management	13,597,370	7.72%
Canaccord Genuity Wealth Mgt	7,124,968	4.05%
Majedie Asset Management	5,372,032	3.05%

¹ At 31 March 2020, the total voting rights attached to the issued share capital of the Company comprised 176,026,619 Ordinary Shares each of \$0.01 nominal value, being the 176,498,266 Ordinary Shares in issue, less 471,647 Ordinary Shares currently held in treasury.

² As at 31 December 2019: Canaccord Genuity Wealth Management held 9,150,849 Shares representing 5.20% 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 2019 other than as shown in the footnotes to the table above.

CHANGES IN SHARE CAPITAL

There were no transactions during the year ended 31 December 2019 that increased the share capital of the Company and there were no movements of Shares into or out of treasury.

As at 31 December 2019, 176,498,266 Shares were in issue including 511,647 Shares held in treasury.

In January 2020, 40,000 Shares were moved out of treasury to satisfy the exercise of options under the Company's share option schemes. At the date of this report, 471,647 Shares are held in treasury pending their cancellation or possible use in the Company's share option schemes.

AGM NOTICE

A separate communication will be sent to shareholders and published on the Company's website regarding the Company's 2020 AGM.

GREENHOUSE GAS EMISSION REPORTING

Reporting on emission sources as required under the Energy and Carbon Report Regulations 2018 is included in our separate Sustainability Report to be available on the Company's website at www.centralasiametals.com.

SECTION 172 STATEMENT

A statement of how the Board has performed its duties under section 172 of the Companies Act 2006 ('the Act') can be found on pages 34 to 35 of the Strategic Report.

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

The Group's Auditors, BDO LLP have indicated their willingness to continue in office and, on the recommendation of the Audit Committee and in accordance with section 489 of the Act, a resolution for their reappointment will be put to the 2020 AGM. The audit tender process undertaken during 2019 is summarised in the Audit Committee Report on page 59.

POLITICAL DONATIONS

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

CORPORATE GOVERNANCE

The Governance Report can be found on pages 48 to 71. The Governance Report forms part of this Directors' Report and is incorporated by cross reference.

Approved by the Board of Directors and signed on its behalf



GAVIN FERRAR
CHIEF FINANCIAL OFFICER
31 March 2020

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. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM. In preparing the financial statements, the Directors are required to:


- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRS 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 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 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.

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.

On behalf of the Board



GAVIN FERRAR
CHIEF FINANCIAL OFFICER
31 March 2020

INDEPENDENT AUDITORS' REPORT

to the members of Central Asia Metals plc

OPINION

We have audited the financial statements of Central Asia Metals plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the consolidated income statement, consolidated statement of comprehensive income, the Group and Company statements of financial position, the consolidated statement of changes in equity, the Company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty in relation to going concern arising from the COVID-19 pandemic

We draw attention to note 2 in the financial statements which sets out the Directors' considerations of the potential impact on the Group's business of the COVID-19 pandemic. As stated in note 2, these events or conditions, along with other matters as set out in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We have highlighted going concern as a key audit matter as a result of the uncertainty created by the COVID-19 pandemic and resulting potential implications for our audit strategy.

Our audit procedures in response to this key audit matter included:

- We discussed the potential impact of COVID-19 with management and the Audit Committee including their assessment of risks and uncertainties associated with areas such as the Group's workforce, supply chain, customer offtake and commodity market prices that are relevant to the Group's business model and operations. We formed our own assessment of risks and uncertainties based on our understanding of the business and mining sector.
- We obtained management's reverse stress testing analysis which was performed to determine the point at which covenants and liquidity breaks and considered whether such scenarios, including significant reductions in commodity prices and production were possible given the potential impacts of COVID-19 and the level of uncertainty.
- We critically assessed management's base case cash flow forecasts and the underlying assumptions which have been approved by the Board. Our testing included a comparison of forecast prices to spot prices together with consideration of broker consensus pricing ranges.
- We evaluated the forecast production levels against 2019 actuals, the life of mine plan and considered the impact of recent plant upgrades on the achievability of forecasts.
- We compared forecast refinery treatment charges to third party agreements. We compared the other forecast operational expenditure to 2019 actuals and confirmed that planned capital expenditure is consistent with the life of mine plan.
- We compared the Group's operational results to the budget for 2019 to assess the quality of management's budgetary process.
- We reviewed and considered the adequacy of the disclosure within the financial statements relating to the Directors' assessment of the going concern basis of preparation.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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) we identified, 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 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. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITORS' REPORT CONTINUED

to the members of Central Asia Metals plc

Risk that judgments and estimates in the impairment test on the carrying value of the Sasa mining assets are inappropriate and the assets require impairment

The Sasa cash generating unit ("CGU") includes goodwill of \$21.7m and therefore the Group must perform an annual impairment test. As detailed in note 19, management prepared a discounted cash flow valuation model which indicated a recoverable amount above the carrying value of the CGU with headroom of 13%.

The appropriateness of judgements and estimates applied in the determination of the recoverable amount represented a significant focus area for our audit, including forecast commodity prices, refinery treatment costs, production and discount rates, together with forecast operating and capital costs given the planned transition from a sub level caving mining method to cut and fill mining.

How we addressed the key audit matter in our audit

- We evaluated management's impairment model against the Board approved life of mine plan and our understanding of the operations. We critically challenged the key estimates and assumptions used by management, including commodity pricing, treatment charges, production, operational and capital expenditure and the discount rate.
- We compared the forecast pricing assumptions to 2019 actuals, independently sourced broker consensus data and other third party industry commentators.
- We compared the forecasted treatment charges in the short term to agreements with the Group's refineries and evaluated management's longer term forecast reduction in treatment charges considering analyst reports, market commentary and the historical relationship between pricing and treatment charges.
- We compared the forecast production to the internal Competent Person's Reserves and Resources Statement, met with the Group's geologists to assess areas such as inferred resource conversion against empirical data and reviewed the reconciliation of movements in ore reserves and resources against the external Competent Person's Report in 2018. In placing reliance of management experts we performed procedures to evaluate their competence and objectivity.
- We assessed the appropriateness of the forecasted operating costs and capital expenditure associated with the cut and fill mining method. In doing so we met with operational management to evaluate the basis of management's assumptions, reviewed reports by consultants engaged by the Group and considered the consistency of production forecasts and planned capital expenditure.
- We used our valuation experts to evaluate the discount rate used by management and the structure of the valuation model.
- We reviewed management's sensitivity analysis and performed our own sensitivity analysis over individual key inputs to include pricing, treatment charges, expenditure and discount rate together with a combination of sensitivities over such inputs.
- We evaluated management's conclusion that the potential impact of Covid-19 represented a non-adjusting subsequent event against the relevant accounting standards.
- We evaluated the disclosures given in note 19 and 37 and found them to be relevant and informative.

OUR OBSERVATIONS

In respect of the recoverable amount of Sasa mining assets, we found the Group's conclusion that the recoverable amount at 31 December 2019 exceeded the carrying value of the cash generating unit to be appropriate. We found the disclosures in note 19 to be appropriate. We found the conclusion that the potential impact of COVID-19 represent a non-adjusting subsequent event and the disclosures regarding such subsequent events to be appropriate.

OUR APPLICATION OF MATERIALITY

Group materiality FY 2019	Basis for materiality
\$3,500,000	5% of profit before tax

We apply the concept of materiality both in planning and performing our audit and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We consider profit before tax to be the financial metric of the most interest to shareholders and other users of the financial statements given the Group and significant components are profit orientated entities. This was our first year as auditors of the Group.

Materiality for the Parent Company was set at \$1,700,000 being approximately 50% of Group materiality.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 65% of the above materiality levels for both Group (\$2,200,000) and Company (\$1,100,000).

Whilst materiality for the financial statements as a whole was \$3,500,000 each significant component of the Group was audited to a lower level of materiality ranging from \$500,000 to \$2,000,000 which was used to determine the financial statement areas that were included within the scope of the Component audits and the extent of sample sizes used during the audit.

We agreed with the Audit Committee that we would report to the Committee all individual audit differences identified during the course of our audit in excess of \$70,000. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The Group's operations principally comprise mining operations split across two primary geographical locations being North Macedonia and Kazakhstan. We assessed there to be five significant components (two in North Macedonia, two in Kazakhstan and the parent company) which were subject to a full scope audit. Together with the parent company (also considered a significant component) and its group consolidation, which was also subject to a full scope audit, these represent the significant components of the Group.

The five significant components subject to full scope audit procedures represent the principal business units and account for 100% of the Group's revenue and 97% of the Group's profit before tax.

The audits of the North Macedonian and Kazakh components were performed in North Macedonia and Kazakhstan, respectively. The audits of the parent company and the Group consolidation were performed in the United Kingdom. All of the audits were conducted by BDO LLP and BDO network member firms.

All BDO member firms performed the full scope audit of the significant components in the North Macedonia and Kazakhstan, under the direction and supervision of BDO LLP as Group auditor. As part of our audit strategy, the Group Audit Partner or senior members of the Group audit team visited each of the Group's key mining operations during the year and met with management and the component auditors during the planning and execution phases of the audit. These teams from BDO UK performed a review of the component audit files and held meetings with the component audit teams during the planning and completion phases of their audits.

The Group audit team was actively involved in the direction of the audits performed by the component auditors along with the consideration of findings and determination of conclusions drawn. We performed additional procedures in respect of certain of the significant risk areas that represented Key Audit Matters in addition to procedures performed by the component auditor.

The remaining components of the Group were considered non-significant and these components were principally subject to analytical review procedures.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITORS' REPORT CONTINUED

to the members of Central Asia Metals plc

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 Parent 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 Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S 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 auditor's 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 Financial Reporting Council's website : www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



RYAN FERGUSON

(SENIOR STATUTORY AUDITOR)

For and on behalf of BDO LLP, Statutory Auditor
London
31 March 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December

	Note	Group	
		2019 \$'000	2018 \$'000
Continuing operations			
Revenue	6	171,748	194,379
Presented as:			
Gross revenue	6	180,815	204,152
Less:			
Silver stream purchases	6	(5,556)	(6,023)
Off-take buyers' fees	6	(3,511)	(3,750)
Revenue		171,748	194,379
Cost of sales	7	(73,098)	(76,418)
Distribution and selling costs	8	(1,823)	(2,045)
Gross profit		96,827	115,916
Administrative expenses	9	(18,323)	(23,950)
Other expenses	10	(481)	(1,030)
Other income		212	359
Foreign exchange gain/(loss)		377	(3,879)
Operating profit		78,612	87,416
Finance income	14	336	264
Finance costs	15	(11,153)	(14,999)
Profit before income tax		67,795	72,681
Income tax	16	(15,911)	(18,822)
Profit for the year from continuing operations		51,884	53,859
Discontinued operations			
Profit/(loss) for the year from discontinued operations	21	53	(7,274)
Profit for the year		51,937	46,585
Profit attributable to:			
– Non-controlling interests		60	(1,439)
– Owners of the parent		51,877	48,024
		51,937	46,585
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	17	29.36	31.33
From discontinued operations		0.03	(4.12)
From profit for the year		29.39	27.21
Diluted earnings/(loss) per share			
From continuing operations	17	28.54	30.65
From discontinued operations		0.03	(4.12)
From profit for the year		28.57	26.53

Total distribution and selling costs shown above previously recognised as a deduction from gross revenue have been reclassified below revenue in the current year with the comparative reclassified for comparability.

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	
		2019 \$'000	2018 \$'000
Profit for the year		51,937	46,585
Other comprehensive (expense)/income:			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences	26	(11,019)	(10,288)
Foreign exchange on intercompany loan		–	(13,020)
Other comprehensive (expense)/income for the year, net of tax		(11,019)	(23,308)
Total comprehensive income for the year		40,918	23,277
Attributable to:			
– Non-controlling interests		60	(1,439)
– Owners of the parent		40,858	24,716
Total comprehensive income for the year		40,918	23,277
Total comprehensive income/(expense) attributable to equity shareholders arises from:			
– Continuing operations		40,865	30,551
– Discontinued operations		53	(7,274)
		40,918	23,277

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	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Assets					
Non-current assets					
Property, plant and equipment	18	406,387	429,601	838	290
Intangible assets	19	58,676	61,311	–	3
Deferred income tax asset	36	266	–	–	–
Investments	20	–	–	5,491	5,491
Other non-current receivables	22	3,389	2,120	–	–
		468,718	493,032	6,329	5,784
Current assets					
Inventories	23	7,283	7,529	–	–
Trade and other receivables	22	6,276	10,078	342,083	374,192
Restricted cash	24	4,013	4,376	3,824	4,222
Cash and cash equivalents (excluding bank overdrafts)	24	28,566	34,649	17,834	15,297
		46,138	56,632	363,741	393,711
Assets of disposal group classified as held for sale	21	219	61	–	–
		46,357	56,693	363,741	393,711
Total assets		515,075	549,725	370,070	399,495
Equity attributable to owners of the parent					
Ordinary Shares	25	1,765	1,765	1,765	1,765
Share premium	25	191,184	191,184	191,184	191,184
Treasury shares	25	(6,526)	(6,526)	(6,526)	(6,526)
Currency translation reserve	26	(100,473)	(89,454)	–	–
Retained earnings		250,480	230,281	70,086	63,127
		336,430	327,250	256,509	249,550
Non-controlling interests		(1,324)	(1,384)	–	–
Total equity		335,106	325,866	256,509	249,550

STATEMENTS OF FINANCIAL POSITION CONTINUED

as at 31 December

Registered no. 5559627

	Note	Group		Company	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Liabilities					
Non-current liabilities					
Borrowings	30	69,473	106,549	69,473	106,549
Silver streaming commitment	29	20,755	22,905	-	-
Deferred income tax liability	36	26,089	27,670	-	-
Lease liability		748	-	723	-
Provisions for other liabilities and charges	31	9,027	5,069	-	-
		126,092	162,193	70,196	106,549
Current liabilities					
Borrowings	30	39,295	38,400	38,400	38,400
Silver streaming commitment	29	2,140	2,263	-	-
Trade and other payables	28	12,305	20,916	4,965	4,996
Provisions for other liabilities and charges	31	46	47	-	-
		53,786	61,626	43,365	43,396
Liabilities of disposal group classified as held for sale	21	91	40	-	-
		53,877	61,666	43,365	43,396
Total liabilities		179,969	223,859	113,561	149,945
Total equity and liabilities		515,075	549,725	370,070	399,495

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

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 \$38,637,000 (2018: \$42,830,000).

The financial statements on pages 79 to 115 were authorised for issue by the Board of Directors on 31 March 2020 and were signed on its behalf by Gavin Ferrar.



GAVIN FERRAR
CHIEF FINANCIAL OFFICER

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 2018		1,765	191,184	(7,780)	(79,166)	231,241	337,244	55	337,299
Profit/(loss) for the year		-	-	-	-	48,024	48,024	(1,439)	46,585
Other comprehensive expense – currency translation differences	26	-	-	-	(10,288)	-	(10,288)	-	(10,288)
Foreign exchange on intercompany loan		-	-	-	-	(13,020)	(13,020)	-	(13,020)
Total comprehensive income/ (expense)		-	-	-	(10,288)	35,004	24,716	(1,439)	23,277
Transactions with owners									
Share based payments	9	-	-	-	-	4,904	4,904	-	4,904
Disposal of Zuunmod UUL LLC		-	-	-	-	(66)	(66)	-	(66)
Sales of EBT shares		-	-	55	-	-	55	-	55
Exercise of options	27	-	-	1,199	-	(1,199)	-	-	-
Dividends	34	-	-	-	-	(39,603)	(39,603)	-	(39,603)
Total transactions with owners, recognised directly in equity		-	-	1,254	-	(35,964)	(34,710)	-	(34,710)
Balance as at 31 December 2018		1,765	191,184	(6,526)	(89,454)	230,281	327,250	(1,384)	325,866
Profit/(loss) for the year		-	-	-	-	51,877	51,877	60	51,937
Other comprehensive expense – currency translation differences	26	-	-	-	(11,019)	-	(11,019)	-	(11,019)
Total comprehensive income/ (expense)		-	-	-	(11,019)	51,877	40,858	60	40,918
Transactions with owners									
Share based payments	9	-	-	-	-	1,085	1,085	-	1,085
Exercise of options	27	-	-	-	-	(599)	(599)	-	(599)
Dividends	34	-	-	-	-	(32,164)	(32,164)	-	(32,164)
Total transactions with owners, recognised directly in equity		-	-	-	-	(31,678)	(31,678)	-	(31,678)
Balance as at 31 December 2019		1,765	191,184	(6,526)	(100,473)	250,480	336,430	(1,324)	335,106

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 2018		1,765	191,184	(7,780)	56,195	241,364
Profit for the year		–	–	–	42,830	42,830
Total comprehensive income		–	–	–	42,830	42,830
Transactions with owners						
Share based payments	9	–	–	–	4,904	4,904
Sale of EBT shares		–	–	55	–	55
Exercise of options	27	–	–	1,199	(1,199)	–
Dividends	34	–	–	–	(39,603)	(39,603)
Total transactions with owners, recognised directly in equity		–	–	1,254	(35,898)	(34,644)
Balance as at 31 December 2018		1,765	191,184	(6,526)	63,127	249,550
Profit for the year		–	–	–	38,637	38,637
Total comprehensive income		–	–	–	38,637	38,637
Transactions with owners						
Share based payments	9	–	–	–	1,085	1,085
Exercise of options	27	–	–	–	(599)	(599)
Dividends	34	–	–	–	(32,164)	(32,164)
Total transactions with owners, recognised directly in equity		–	–	–	(31,678)	(31,678)
Balance as at 31 December 2019		1,765	191,184	(6,526)	70,086	256,509

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	2019 \$'000	2018 \$'000
Cash flows from operating activities		
Cash generated from operations	32	105,143
Interest paid		(9,445)
Corporate income tax paid (net of refunds)		(14,845)
Cash flow generated from operating activities		80,853
Cash flows from investing activities		
Balancing receipt from CMK Group acquisition		–
Purchase of property, plant and equipment	18	(11,042)
Proceeds from sale of property, plant and equipment	18	233
Deferred consideration paid		(6,500)
Purchase of intangible assets	19	(21)
Interest received	14	336
Decrease/(increase) in restricted cash	24	363
Net cash used in investing activities		(16,631)
Cash flows from financing activities		
Proceeds from borrowings	30	–
Repayment of borrowings	30	(38,400)
Dividends paid to owners of the parent	34	(32,164)
Settlement on exercise of share options	27	(589)
Net cash used in financing activities		(71,153)
Effect of foreign exchange gain/(loss) on cash and cash equivalents		1
Net decrease in cash and cash equivalents		(6,930)
Cash and cash equivalents at the beginning of the year	24	34,707
Cash and cash equivalents at the end of the year	24	27,777

Cash and cash equivalents at 31 December 2019 includes cash at bank and on hand included in assets held for sale of \$106,000 (31 December 2018: \$58,000) (note 21) and bank overdrafts of \$895,000 (2018: nil) (note 30). The Consolidated Statement of Cash Flows does not include the restricted cash balance of \$4,013,000 (2018: \$4,376,000) (note 24).

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

Note 32 includes disclosures of major non-cash flows during the period relating to investing activities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

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

The Group's principal business activities are the production of copper cathode at its Kounrad operations in Kazakhstan and the production of lead, zinc and silver at its Sasa operations in North Macedonia. CAML owns 100% of the Kounrad SX-EW copper project in Kazakhstan and 100% of the Sasa zinc-lead mine in North Macedonia. The Company also owns two further operations which are currently held for sale and this includes 80% of the Shuak copper exploration property in northern Kazakhstan and a 75% equity interest in Copper Bay Limited. See note 21 for details.

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 the lower of fair value less costs to sell and carrying value. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019. 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 '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 the Group 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 sells and distributes its copper cathode product primarily through an off-take arrangement with Traxys Europe S.A. with a minimum of 95% of the SX-EW plant's forecasted output committed as sales for the period up until October 2022. The Group sells Sasa's zinc and lead concentrate product through an 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 meets its day to day working capital requirements through its profitable and cash generative 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 2019.

The price of copper, zinc and lead have been impacted in 2020 by concerns over the outbreak of the COVID-19 pandemic and this will impact on Group revenue for the year ended 31 December 2020. Whilst there has been little impact of COVID-19 to the Group's operations at present, owing to the volatility of the commodity price environment, uncertainty regarding the future impact on operations and the uncertainty surrounding implementation of government policies to manage the outbreak it is difficult to determine and quantify the financial impact there may be on the business going forward. The CAML Board has considered and debated a range of substantial possible scenarios on the Group's operations, financial position and forecasts covering a period of at least the next 12 months considering potential impacts associated with:

- Operational disruption that may be caused by restrictions applied by governments, illness amongst our workforce and disruption to supply chain and offtake arrangements;
- Market volatility in respect of commodity prices;
- Availability of existing credit facilities.

These scenarios include the potential for significant downside to commodity prices and production levels at Sasa and Kounrad which may include periods with minimal or no revenue. Under these scenarios possible mitigations within the Group's control or which can reasonably be achieved have been considered by the Board to maintain liquidity and service debt and in light of COVID-19. As a result of the current market uncertainty the CAML Board has taken the decision not to recommend a 2019 final dividend. Under the forecast scenarios the Group is able to maintain liquidity and service debt assuming minimal or no revenue for a period of approximately 3-4 months, reflecting its current cash resources. However, certain of the scenarios considered indicate a breach to the one of the Group's short-term loan covenants. However, management have engaged in continued dialogue with the lender and, whilst there can be no guarantee, anticipate that existing facilities would remain available where there is a covenant breach. Should there be a period without production or sales in excess of the above scenarios the Group would require additional funding in the form of debt or equity the availability of which cannot be guaranteed.

After review of these forecasts the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements. However, at the date of approval of these financial statements, the potential future impact of COVID-19 and the resulting forecast breach of covenants should such adverse scenarios materialise indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Please refer to notes 6, 24 and 28 for information on the Group's revenues, cash balances and trade and other payables.

New and amended standards and interpretations adopted by the Group

The Group has adopted the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

IFRS 16 Leases has been applied from 1 January 2019. IFRS 16 requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Group has reviewed all leasing arrangements and contracts in light of the new standard to determine whether the arrangements fall under the definition of a lease per IFRS 16. The Group has applied the simplified transition approach from 1 January 2019 and therefore does not require to restate the comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019 amounting to \$853,000. On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019. All other right-of-use assets will continue to be measured at the amount of the lease liability on adoption.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

IFRIC 23 Uncertainty over Income Tax Treatments was introduced from 1 January 2019 and clarifies the accounting for uncertainties in income taxes which is to be applied to determination of taxable profit and uncertainty over income tax treatments under IAS 12. The Group will assess its judgements and estimates if facts and circumstances change. The Group operates in jurisdictions which necessarily require judgment to be applied when assessing the applicable tax treatment for transactions and the Group obtains professional advice where appropriate to ensure compliance with applicable legislation.

The following amendments did not have any impact on the amounts recognised in prior years or the current year and on foreseeable future transactions:

- Annual Improvements to IFRS Standards 2015–2017 Cycle

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Basis of consolidation

The Group financial statements consolidate the financial statements of CAML and the entities it controls drawn up to 31 December 2019. 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 expenses.

The excess of the consideration transferred, the 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.

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 shareholder's equity. Where losses are incurred by a partially owned subsidiary, they are consolidated such that the non-controlling interests' share in the losses is apportioned in the same way as profits. Where 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 and Company's presentation currency. The functional currency of the Company is US Dollars. Transactions in currencies other than the functional currency are initially recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the Income Statement.

The results and financial position of all the Group entities that have a functional currency different from the US Dollar presentation currency are translated into the US Dollar presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the reporting date;
- income and expenses for each Income Statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Income Statement. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

The cost of the item also includes the cost of decommissioning any buildings or plant and equipment and making good the site, where a present obligation exists to undertake the restoration work.

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 are not depreciated until such time as the areas under development enter production.

Depreciation is provided on all property, plant and equipment on a straight-line basis over its total expected useful life. As at 31 December 2019 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 |
| → Right of use assets | – term of lease agreement |

Mineral rights 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 as well as measured, indicated and certain inferred resources which are considered to have a sufficiently high certainty of commercial extraction 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.

Leases

As per IFRS 16 Leases the Group have applied the simplified transition approach for recognising liabilities. On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable and variable payments based on index or rate
- amounts expected to be payable by the Group under residual value guarantees
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Leases continued

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group leases offices and equipment. Rental contracts are typically made for fixed periods of six months to five years and have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Intangible assets

a) Exploration and evaluation expenditure

Capitalised costs include costs directly related to any Group exploration and evaluation activities in areas of interest for which there is a high degree of confidence in the feasibility of the project. 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 two to five 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 on a post tax basis.

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

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. These steps are as follows: identification of the customer contract; identification of the contract performance obligations; determination of the contract price; allocation of the contract price to the contract performance obligations; and revenue recognition as performance obligations are satisfied.

Under IFRS 15, revenue is recognised when the performance obligations are satisfied and the customer obtains control of the goods or services, usually when title has passed to the buyer and the goods have been delivered in accordance with the contractual delivery terms.

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 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.

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, zinc and lead sales are marked-to-market using forward prices, with any significant 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, zinc and lead sales with the off-take partner and also its zinc and lead sales with the banks where a facility has been set up and agreed. The price fixing arrangements are outside the scope of IFRS 9 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 and silver purchases under the Silver Stream.

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.

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 Comprehensive Income.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**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 are accounted for under IFRS 9 using the expected credit loss model and are initially recognised at fair value and subsequently measured at amortised cost less any allowance for expected credit losses.

Impairment of financial assets

The Group and the Company has adopted the general expected credit loss model for financial assets, e.g. trade receivables and intercompany receivables.

The allowance for expected credit losses for trade receivables is established by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The allowance is the sum of these probability weighted outcomes. The allowance and any changes to it are recognised in the Statement of Comprehensive Income within net operating expenses. A provision matrix is used to calculate the allowance for expected credit losses on trade receivables which is based on historical default rates over the expected life of the trade receivables and is adjusted for forward looking estimates. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against net operating expenses in the Statement of Comprehensive Income.

The Company assesses on a forward-looking basis the expected credit losses associated with its intercompany balances carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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.

Silver stream commitment

The silver stream arrangement has been accounted for as a commitment as the Group has obligations to deliver silver to a third party at a price below market value. On acquisition, following completion of the business combination, the silver stream commitment was identified as an unfavourable contract and recorded at fair value. Payments received under the arrangement prior to the acquisition by the Group were not considered to be a transaction with a customer. Management has determined that the agreement is not a derivative as it will be satisfied through the delivery of non-financial items (i.e. silver commodity from the Company's production), rather than cash or financial assets. Subsequent to initial recognition the silver stream commitment is not revalued and is amortised on a units of production basis to cost of sales.

The fair value of consideration received for delivered silver under the agreement is recorded as revenue. In addition, silver produced in conjunction with the Group's lead and zinc production and sold under the off-take agreement is recorded in gross revenue with a corresponding deduction for silver purchased to deliver under the silver stream recorded in arriving at net revenue.

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.

An amendment in a loan facility gives rise to a modification gain or loss to reflect the amended terms under the new facility. In 2018, the Group consolidated and restructured its borrowings into one corporate debt package. The total available amount under the facility was increased by \$60,000,000. The refinancing resulted in the recognition of a modification gain of \$836,000 which was recognised in the Income Statement during 2018.

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 cash flows incorporate assessments of risk. 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 North Macedonian subsidiaries, the Group is obliged to pay retirement benefits for an amount equal to two average monthly salaries, at their retirement date. According to the collective labour agreement, the Group is also obliged to pay jubilee anniversary awards for each 10 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 calculated 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

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 North Macedonian Denar.

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		
	2019	2018	Movement	2019	2018	Movement
Kazakhstan Tenge	382.75	344.71	38.04	381.18	384.20	(3.02)
Macedonian Denar	54.96	52.12	2.84	54.95	53.69	1.26
Euro	1.12	1.15	(0.03)	1.12	1.18	(0.06)
British Pound	0.79	0.75	0.04	0.76	0.79	0.03

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 North Macedonian Denar denominated monetary items are therefore not reported in the tables below, as the functional currency of the Group's Kazakhstan-based and North 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 2019			Group 2018		
	USD	EUR	GBP	USD	EUR	GBP
Cash and cash equivalents	2,419	94	2,220	12,792	6	774
Trade and other receivables	1	-	-	-	(452)	(2,522)
Trade and other payables	-	(609)	(429)	12,792	(446)	(1,748)
Net exposure	2,420	(515)	1,791			

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 2019, if the foreign currencies had weakened/strengthened by 10% against the US Dollar, post-tax Group profit for the year would have been \$194,000 lower/higher (2018: \$231,000 lower/higher).

Commodity price risk

The Group has a hedging policy in place to allow us to manage commodity price risk however the Directors elected not to hedge during 2019.

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	
	2019 \$'000	2018 \$'000
10% increase in copper, zinc and lead price	18,853	20,526
10% decrease in copper, zinc and lead price	(18,853)	(20,526)

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 2019 (2018: nil).

Future expected payments:	Group	
	31 Dec 19 \$'000	31 Dec 18 \$'000
Trade and other payables within one year	8,981	17,637
Borrowings payable within one year (note 30)	44,684	47,868
Borrowings payable later than one year but not later than five years (note 30)	76,304	122,323
Lease liability payable later than one year but not later than five years	748	-
	130,717	187,828

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital.

The Group manages its capital in order to provide sufficient funds for the Group's activities. Future capital requirements are regularly assessed and Board decisions taken as to the most appropriate source for obtaining the required funds, be it through internal revenue streams, external fund raising, issuing new shares or selling assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The debt is subject to financial covenants which include the monitoring of gearing and leverage ratios and these are all currently complied with.

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

	Note	2019	2018
		\$'000	\$'000
Cash and cash equivalents	24	28,566	34,649
Bank overdraft	30	(895)	-
Borrowings, variable interest rates – repayable within one year	30	(38,400)	(38,400)
Borrowings, variable interest rates – repayable after one year	30	(69,473)	(106,549)
Net debt		(80,202)	(110,300)
Total equity		335,106	325,866
Net debt to equity ratio		24%	34%

Changes in liabilities arising from financing activities

The total borrowings as at 1 January 2019 were \$144,949,000 (1 January 2018: \$181,914,000). During the year, total repayments were \$38,400,000 (2018: \$99,265,000) with nil (2018: \$60,809,000) drawdowns during the year. There was a drawdown of an unsecured overdraft of \$895,000 (2018: nil). Other changes amounted to \$1,324,000 (1 January 2018: \$1,491,000) leading to a closing debt balance of \$108,768,000 (2018: \$144,949,000). See note 30 for more details.

The cash and cash equivalents including cash at bank and on hand in assets held for sale brought forward were \$34,707,000 (2018: \$43,173,000) with a \$6,930,000 outflow (2018: \$8,466,000 outflow) during the year and therefore a closing balance of \$27,777,000 (2018: \$34,707,000).

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 24 and on its trade and other receivables as set out in note 22. The Group sells a minimum of 95% 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. The Group sells Sasa's zinc and lead concentrate product through an off-take arrangement with Traxys which has been fixed through to 31 December 2022. The commitment is for 100% of the Sasa concentrate production.

For banks and financial institutions, only parties with a minimum rating of BBB- are accepted. 24% of the Group's cash and cash equivalents including restricted cash at the year-end were held by an A+ rated bank (2018: 15% by an A+ bank). The rest of the Group's cash was held with a mix of institutions with credit ratings between A to BB (2018: A to BBB-).

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

The expected credit loss for intercompany loans receivable are considered immaterial (note 22).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

3. FINANCIAL RISK MANAGEMENT CONTINUED

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 2019, the Group's borrowings at variable rates were denominated in US Dollars. 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 \$1,343,000 (2018: \$1,666,000) 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 \$14,494,000 of cash balances on short-term deposit as at 31 December 2019 (2018: \$13,044,000). The average fixed interest rate on short-term deposits during the year was 0.6% (2018: 1.2%).

Categories of financial instruments

Financial assets

	Group	
	31 Dec 19 \$'000	31 Dec 18 \$'000
Cash and receivables:		
Cash and cash equivalents including restricted cash (note 24)	32,579	39,025
Trade and other receivables	2,980	6,609
	35,559	45,634

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

Financial liabilities

	Group	
	31 Dec 19 \$'000	31 Dec 18 \$'000
Measured at amortised cost:		
Trade and other payables within one year	8,981	17,637
Borrowings payable within one year (note 30)	39,295	38,400
Borrowings payable later than one year but not later than five years (note 30)	69,473	106,549
Lease liability later than one year but not later than five years	748	–
	118,497	162,586

Trade and other payables excludes the silver streaming commitment, corporation tax, social security and other taxes as they are not considered financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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:

Impairment of non-current assets

Significant accounting judgements

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 CMK Resources Limited acquisition in November 2017 requires an annual impairment review. This review determines 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 19.

Key sources of estimation uncertainty

Estimates are required periodically to assess assets for impairment. The critical accounting estimates are future commodity prices, treatment charges, future ore production, discount rates and projected future costs of development and production. Ore reserves and resources included in the forecasts include certain resources considered to be sufficiently certain and economically viable. The Group's resources statements include additional resources which are not included in the life of mine plan or impairment test.

Decommissioning and site rehabilitation estimates

Significant accounting judgements

Provision is made for the costs of decommissioning and site rehabilitation costs when the related environmental disturbance takes place. Judgement and experience is used in determining the expected timing, closure and decommissioning methods, which can vary in response to changes in the relevant legal requirements or decommissioning technologies.

Key sources of estimation uncertainty

The discounted provision recognised represents management's best estimate of the costs that will be incurred, and 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 and in the interim management make assessments for appropriate changes based on the environmental management strategy; however significant changes in the estimates of contamination, restoration standards, timing of expenditure and techniques will result in changes to provisions from period to period.

A 1% change in the discount rate on the Group's rehabilitation estimates would result in an impact of \$781,000 (2018: \$473,000) on the provision for environmental rehabilitation, and an impact of \$781,000 (2018: \$473,000) on the statement of comprehensive income. A 5% change in cost on the Group's rehabilitation estimates would result in an impact of \$420,000 (2018: \$208,000) on the provision for environmental rehabilitation, and an impact of \$48,000 (2018: \$21,000) on the statement of comprehensive income.

Mineral reserves and resources

Key sources of estimation uncertainty

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 estimates 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.

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 mineral resources were estimated in June 2017 and the Sasa JORC ore reserves and mineral resources were estimated in December 2019.

Tax

Significant accounting judgements

Management make judgements in relation to the recognition of various taxes payable by the Group and VAT recoverability for which the recoverability and timing of recovery is assessed. The Group operates in jurisdictions which necessarily require judgment to be applied when assessing the applicable tax treatment for transactions and the Group obtains professional advice where appropriate to ensure compliance with applicable legislation.

5. SEGMENTAL INFORMATION

The segmental results for the year ended 31 December 2019 are as follows:

	Kounrad \$'000	Sasa \$'000	Unallocated \$'000	Total \$'000
Gross revenue	81,708	99,107	–	180,815
Silver stream purchases	–	(5,556)	–	(5,556)
Off-take buyers' fees	(2,424)	(1,087)	–	(3,511)
Revenue	79,284	92,464	–	171,748
EBITDA	61,720	59,564	(12,700)	108,584
Depreciation and amortisation	(4,533)	(25,308)	(239)	(30,080)
Foreign exchange (loss)/gain	(169)	698	(152)	377
Other income	182	30	–	212
Other expenses (note 10)	(40)	(441)	–	(481)
Finance income (note 14)	9	1	326	336
Finance costs (note 15)	(106)	(263)	(10,784)	(11,153)
Profit/(loss) before income tax	57,063	34,281	(23,549)	67,795
Income tax				(15,911)
Profit for the year after tax from continuing operations				51,884
Profit from discontinued operations				53
Profit for the year				51,937

Depreciation and amortisation includes amortisation on the fair value uplift on acquisition of Sasa and Kounrad of \$19.4m.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

5. SEGMENTAL INFORMATION CONTINUED

The segmental results for the year ended 31 December 2018 are as follows:

	Kounrad \$'000	Sasa \$'000	Unallocated \$'000	Total \$'000
Gross revenue	92,644	111,508	–	204,152
Silver stream purchases	–	(6,023)	–	(6,023)
Off-take buyers' fees	(2,535)	(1,215)	–	(3,750)
Revenue	90,109	104,270	–	194,379
EBITDA	66,833	71,221	(12,746)	125,308
Depreciation and amortisation	(6,335)	(26,951)	(56)	(33,342)
Foreign exchange (loss)/gain	276	(4,165)	10	(3,879)
Other income	359	–	–	359
Other expenses (note 10)	–	(561)	(469)	(1,030)
Finance income (note 14)	10	3	251	264
Finance costs (note 15)	(140)	(8,555)	(6,304)	(14,999)
Profit/(loss) before income tax	61,003	30,992	(19,314)	72,681
Income tax				(18,822)
Profit for the year after tax from continuing operations				53,859
Loss from discontinued operations				(7,274)
Profit for the year				46,585

Depreciation and amortisation includes amortisation on the fair value uplift on acquisition of Sasa and Kounrad of \$20.2m.

A reconciliation between profit for the year and EBITDA is presented in the Financial Review section.

Group segmental assets and liabilities for the year ended 31 December 2019 are as follows:

	Segmental assets		Additions to non-current assets		Segmental liabilities	
	31 Dec 19 \$'000	31 Dec 18 \$'000	31 Dec 19 \$'000	31 Dec 18 \$'000	31 Dec 19 \$'000	31 Dec 18 \$'000
Kounrad	76,118	80,384	1,850	1,395	(11,017)	(11,666)
Sasa	411,899	450,495	9,432	13,352	(55,269)	(78,720)
Assets held for sale (note 21)	219	61	–	907	(91)	(40)
Unallocated including corporate	26,839	18,785	870	298	(113,592)	(133,433)
	515,075	549,725	12,152	15,952	(179,969)	(223,859)

The assets and liabilities of the Copper Bay and Shuak entities were classified as assets held for sale during the comparative year ended 31 December 2018 (note 21).

6. REVENUE

Group	2019 \$'000	2018 \$'000
International customers (Europe) – copper cathode	78,848	90,376
International customers (Europe) – zinc and lead concentrate	97,199	109,451
Domestic customers (Kazakhstan) – copper cathode	2,860	2,269
International customers (Europe) – silver	1,908	2,056
Total gross revenue	180,815	204,152
Less:		
Silver purchases from silver stream	(5,556)	(6,023)
Off-take buyers' fees	(3,511)	(3,750)
Revenue	171,748	194,379

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 95% of the SX-EW plant's output. Revenue is recognised at the Kounrad mine gate when the goods have been delivered in accordance with the contractual delivery terms.

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, however during 2019 all sales prices were calculated at the LME price on the date of dispatch. 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 deducted from the selling price.

During 2019, the Group sold 13,100 tonnes (2018: 13,696 tonnes) of copper through the off-take arrangements. Some of the copper cathodes are also sold locally and during 2019, 500 tonnes (2018: 386 tonnes) were sold to local customers.

Sasa

The Group sells Sasa's zinc and lead concentrate product to two European smelters through an off-take arrangement with Traxys which has been fixed through to 31 December 2022. For one of the smelters, revenue is recognised at the Sasa mine gate when the goods have been delivered in accordance with the contractual delivery terms and for the other smelter revenue is recognised on delivery to the smelter in accordance with the contractual delivery terms. The commitment is for 100% of the Sasa concentrate production. 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. The impact of mark-to-market adjustments for forward prices on provisional sales was not significant in the current or prior year.

The Group sold 19,697 tonnes (2018: 18,792 tonnes) of zinc in concentrate and 27,875 tonnes (2018: 27,878 tonnes) of lead in concentrate.

The revenue arising from silver relates to a contract with Osisko Gold Royalties where the Group has agreed to sell all of its silver at a fixed price of \$5.58/oz, significantly below market value and arising from the silver stream commitment inherited on acquisition (note 29).

7. COST OF SALES

Group	2019 \$'000	2018 \$'000
Reagents, electricity and materials	19,931	19,676
Depreciation and amortisation	29,499	33,407
Silver stream commitment (note 29)	(2,285)	(2,627)
Royalties	7,271	7,995
Employee benefit expense	12,862	12,053
Consulting and other services	5,398	5,412
Taxes and duties	422	502
	73,098	76,418

8. DISTRIBUTION AND SELLING COSTS

Group	2019 \$'000	2018 \$'000
Freight costs	1,550	1,670
Transportation costs	108	184
Employee benefit expense	61	76
Depreciation and amortisation	20	15
Materials and other expenses	84	100
	1,823	2,045

The above distribution and selling costs are those incurred at Kounrad and Sasa in addition to the costs associated with the off-take arrangements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

9. ADMINISTRATIVE EXPENSES

Group	2019 \$'000	2018 \$'000
Employee benefit expense	8,867	9,709
Share based payments	1,085	4,904
Consulting and other services	6,084	6,345
Auditors remuneration (note 11)	378	409
Office-related costs	1,271	1,783
Taxes and duties	77	45
Depreciation and amortisation	561	755
Total from continuing operations	18,323	23,950
Total from discontinued operations (note 21)	170	153
	18,493	24,103

10. OTHER EXPENSES

Group	2019 \$'000	2018 \$'000
Loss on disposal of property, plant and equipment	481	561
Impairment of receivable from Orion	–	469
	481	1,030

The impairment of receivable from Orion in the prior year relates to \$5,969,000 of withholding tax payable relating to income from payments in 2016 and 2017. This tax relates to a period pre the Group's ownership and so due to the tax indemnity in place on acquisition was considered fully recoverable as per the acquisition accounting. A settlement was reached in March 2019 where Orion would pay \$5,500,000 of the withholding tax payable and therefore the Group recognised a \$469,000 write off in 2018.

11. AUDITORS' REMUNERATION

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

	2019 \$'000	2018 \$'000
Fees payable to BDO LLP the Company's auditors for the audit of the parent company and consolidated financial statements	160	–
Fees payable to PWC LLP the previous Company's auditors for the audit of the parent company and consolidated financial statements	36	146
Fees payable to BDO LLP the Company's auditors and its associates for other services:		
– The audit of Company's subsidiaries	144	–
– Tax compliance services	–	–
– Other assurance services	–	–
Fees payable to PWC LLP the previous Company's auditors and its associates for other services:		
– The audit of Company's subsidiaries	–	179
– Tax compliance services	–	26
– Other assurance services	38	58
	378	409

12. EMPLOYEE BENEFIT EXPENSE

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

Group	2019 \$'000	2018 \$'000
Wages and salaries	16,294	14,856
Social security costs	3,823	4,484
Staff healthcare and other benefits	2,424	2,266
Other pension costs	564	497
Share based payments (note 27)	1,085	4,904
Total for continuing operations	24,191	27,008
Total for discontinuing operations (note 21)	75	75
	24,266	27,083

The total employee benefit expense includes an amount of \$1,316,000 (2018: \$1,137,000) which has been capitalised within property, plant and equipment. The 2018 comparative has been reclassified due to the reallocation of costs to ensure consistent presentation of employee benefit expense.

Company	2019 \$'000	2018 \$'000
Wages and salaries	5,391	4,778
Social security costs	934	1,325
Staff healthcare and other benefits	533	479
Other pension costs	165	146
Share based payments (note 27)	1,085	4,904
	8,108	11,632

Key management remuneration is disclosed in the Remuneration Committee report.

13. MONTHLY AVERAGE NUMBER OF PEOPLE EMPLOYED

Group	2019 Number	2018 Number
Operational	901	906
Construction	8	8
Management and administrative	130	125
	1,039	1,039

The monthly average number of staff employed by the Company during the year was 15 (2018: 14).

14. FINANCE INCOME

Group	2019 \$'000	2018 \$'000
Foreign exchange gain on intercompany borrowings	–	3
Bank interest received	336	261
	336	264

15. FINANCE COSTS

Group	2019 \$'000	2018 \$'000
Provisions: unwinding of discount (note 31)	329	489
Interest on borrowings (note 30)	10,779	15,225
Bank charges	45	117
Gain on modification of the debt facility	–	(832)
Total for continuing operations	11,153	14,999
Total for discontinuing operations (note 21)	57	–
	11,210	14,999

16. INCOME TAX

Group	2019 \$'000	2018 \$'000
Current tax on profits for the year	17,234	20,391
Deferred tax credit (note 36)	(1,323)	(1,569)
Income tax expense	15,911	18,822

Taxation for each jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

16. INCOME TAX CONTINUED

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	2019 \$'000	2018 \$'000
Profit before taxation including loss from discontinued operations	67,794	65,407
Tax calculated at domestic tax rates applicable to profits in the respective countries	23,287	27,410
Tax effects of:		
Expenses not deductible for tax purposes	19,854	2,982
Non-taxable income	(27,194)	(15,827)
Movement on unrecognised deferred tax – tax losses	1,287	5,826
Movement on recognised deferred tax (note 36)	(1,323)	(1,569)
Income tax expense	15,911	18,822

Corporate income tax is calculated at 19% (2018: 19%) of the assessable profit for the year for the UK parent company, 20% for the operating subsidiaries in Kazakhstan (2018: 20%) and 10% (2018: 10%) for the operating subsidiaries in North Macedonia.

Expenses not deductible for tax purposes includes share-based payment charges, transfer pricing adjustments in accordance with local tax legislation and depreciation and amortisation charges. Non-taxable income includes intercompany dividend income. The 2018 comparative has been reclassified to ensure consistent presentation with the current year.

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.

17. 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 25).

	2019 \$'000	2018 \$'000
Profit from continuing operations attributable to owners of the parent	51,824	55,298
Profit/(loss) from discontinued operations attributable to owners of the parent	53	(7,274)
Profitable attributable to owners of the parent	51,877	48,024

	2019 No.	2018 No.
Weighted average number of Ordinary Shares in issue	176,498,266	176,498,266

	2019 \$ cents	2018 \$ 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	29.36	31.33
From discontinued operations	0.03	(4.12)
From profit for the year	29.39	27.21

(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.

	2019 \$'000	2018 \$'000
Profit from continuing operations attributable to owners of the parent	51,824	55,298
Profit/(loss) from discontinued operations attributable to owners of the parent	53	(7,274)
Profitable attributable to owners of the parent	51,877	48,024

	2019 No.	2018 No.
Weighted average number of Ordinary Shares in issue	176,498,266	176,498,266
Adjusted for:		
– Share options	5,076,397	3,937,283
Weighted average number of Ordinary Shares for diluted earnings per share	181,574,663	180,435,549
Diluted earnings/(loss) per share	2019 \$ cents	2018 \$ cents
From continuing operations	28.54	30.65
From discontinued operations	0.03	(4.12)
From profit for the year	28.57	26.53

18. PROPERTY, PLANT AND EQUIPMENT

Group	Construction in progress \$'000	Plant and equipment \$'000	Mining assets \$'000	Motor vehicles and ROU assets \$'000	Land \$'000	Mineral rights \$'000	Total \$'000
Cost							
At 1 January 2018	11,038	115,183	1,636	1,703	664	365,010	495,234
Additions	14,398	108	–	513	–	–	15,019
Disposals	(24)	(596)	–	(60)	–	–	(680)
Change in estimate – asset retirement obligation (note 31)	–	(159)	–	–	–	–	(159)
Transfers	(7,439)	7,432	–	7	–	–	–
Transfer from stock	35	116	–	–	–	–	151
Exchange differences	(691)	(8,809)	(221)	(216)	(30)	(14,677)	(24,644)
Impairment	–	(43)	–	–	–	–	(43)
At 31 December 2018	17,317	113,232	1,415	1,947	634	350,333	484,878
Additions	10,566	481	–	1,084	–	–	12,131
Disposals	(214)	(732)	–	(32)	–	–	(978)
Change in estimate – asset retirement obligation (note 31)	–	3,664	–	–	–	–	3,664
Transfers	(12,951)	12,951	–	–	–	–	–
Exchange differences	(345)	(941)	11	(14)	(15)	(8,532)	(9,836)
At 31 December 2019	14,373	128,655	1,426	2,985	619	341,801	489,859
Accumulated depreciation							
At 1 January 2018	–	22,211	168	789	–	2,805	25,973
Provided during the year	–	13,086	89	201	–	18,399	31,775
Disposals	–	(66)	–	(30)	–	–	(96)
Impairment	–	(6)	–	–	–	–	(6)
Exchange differences	–	(2,229)	(32)	(108)	–	–	(2,369)
At 31 December 2018	–	32,996	225	852	–	21,204	55,277
Provided during the year	–	9,964	89	471	–	17,801	28,325
Disposals	–	(237)	–	(27)	–	–	(264)
Exchange differences	–	127	2	5	–	–	134
At 31 December 2019	–	42,850	316	1,301	–	39,005	83,472
Net book value at 31 December 2018	17,317	80,236	1,190	1,095	634	329,129	429,601
Net book value at 31 December 2019	14,373	85,805	1,110	1,684	619	302,796	406,387

The Company had \$838,000 of office equipment at net book value as at 31 December 2018 (2018: \$290,000).

The increase in estimate in relation to the Kounrad asset retirement obligation of \$783,000 (2018: reduction of \$159,000) 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 31).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

18. PROPERTY, PLANT AND EQUIPMENT CONTINUED

The increase in estimate in relation to the Sasa asset retirement obligation of \$2,881,000 (2018: reduction of \$10,000) is due a review of 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 31).

The Group has reviewed all the leasing arrangements and contracts in light of adopting IFRS 16 Leases and has capitalised \$853,000 as right-of-use assets ('ROU') during the year and is included within additions. All right-of-use assets will continue to be measured at the amount of the lease liability on adoption.

During the year there were total disposals of plant, property and equipment at cost of \$978,000 with accumulated depreciation of \$264,000. The Group received \$233,000 consideration for these assets and therefore a loss of \$481,000 was recognised in other expenses (note 10).

Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2019 \$'000	2018 \$'000
Depreciation charge of right-of-use assets		
Office	323	–
Other	19	–
	342	–
Interest expense included in finance costs	54	–

As at 31 December 2019 there are no indications of impairment with the fair value of the assets exceeding the net book value.

19. INTANGIBLE ASSETS

Group	Goodwill \$'000	Mining licences and permits \$'000	Computer software and website \$'000	Total \$'000
Cost				
At 1 January 2018	33,464	41,730	514	75,708
Additions	–	–	28	28
Disposals	–	–	(6)	(6)
Exchange differences	(2,285)	(4,096)	(17)	(6,398)
At 31 December 2018	31,179	37,634	519	69,332
Additions	–	–	21	21
Disposals	–	–	(12)	(12)
Exchange differences	(507)	(140)	1	(646)
At 31 December 2019	30,672	37,494	529	68,695
Accumulated amortisation				
At 1 January 2018	–	5,728	65	5,793
Provided during the year	–	2,134	433	2,567
Disposals	–	–	(6)	(6)
Exchange differences	–	(325)	(8)	(333)
At 31 December 2018	–	7,537	484	8,021
Provided during the year	–	1,940	55	1,995
Disposals	–	–	(12)	(12)
Exchange differences	–	15	–	15
At 31 December 2019	–	9,492	527	10,019
Net book value at 31 December 2018	31,179	30,097	35	61,311
Net book value at 31 December 2019	30,672	28,002	2	58,676

The Company had nil of computer software and website costs at net book value as at 31 December 2019 (2018: \$3,000).

Impairment assessment**Kounrad project**

The Kounrad project located in Kazakhstan has an associated goodwill balance of \$8,999,000 (2018: \$8,928,000). 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 nominal 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 recoverable amount of the CGU is assessed by reference to the higher of value in use ('VIU'), being the net present value ('NPV') of future cash flows expected to be generated by the asset, and fair value less costs to dispose ('FVLCD'). The FVLCD is considered to be higher than VIU and has been derived using discounted cash flow techniques (NPV of expected future cash flows of a CGU), which incorporate market participant assumptions.

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 \$6,372 per tonne (2018: \$6,985) and a long-term price of \$6,595 per tonne (2018: \$7,472) and a discount rate of 8% (2018: 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. Management concluded and the net present value of the asset is significantly in excess of the net book value of assets, and therefore no impairment has been identified.

Sasa project

The Sasa project located in North Macedonia has an associated goodwill balance of \$21,673,000 (2018: \$22,251,000). The business combination in 2017 was accounted for at fair value under IFRS 3 and therefore recoverable value is sensitive to changes in commodity prices, operational performance, treatment charges, future cash costs of production and capital expenditures. 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 assessment compared the recoverable amount of the Sasa Cash CGU with its carrying value for the year ended 31 December 2019. The recoverable amount of the CGU is assessed by reference to the higher of VIU, being the NPV of future cash flows expected to be generated by the asset, and FVLCD. The FVLCD is considered to be higher than VIU and has been derived using discounted cash flow techniques (NPV of expected future cash flows of a CGU), which incorporate market participant assumptions. Cost to dispose is based on management's best estimates of future selling costs at the time of calculating FVLCD. Costs attributable to the disposal of the CGU are not considered significant. The methodology used for the fair value is a level 3 valuation.

The expected future cash flows utilised in the FVLCD model are derived from estimates of projected future revenues based on broker consensus commodity prices, treatment charges, future cash costs of production and capital expenditures contained in the life of mine ('LOM') plan, and as a result FVLCD is considered to be higher than VIU. The Group's discounted cash flow analysis reflects probable reserves as well as indicated resources and certain inferred resources which are considered sufficiently certain and economically viable, and is based on detailed research, analysis and modelling. The forecast operational and capital expenditure reflects the transition of mining method from sub-level caving to cut and fill stoping, which is expected to lead to improved reserve grades for both zinc and lead and increased metal production over the life of mine.

At 31 December 2019, the Group has reviewed the indicators for impairment, including forecasted commodity prices, treatment charges, discount rates, operating and capital expenditure, and the mineral reserves and resources' estimates and an impairment is not necessary. For the purposes of the impairment review a discount rate of 8.07% (2018: 12%) was applied to calculate the present value of the CGU. The reduction in the discount rate from the prior year was supported by a detailed WACC calculation and due to the reduced country risk profile and asset specific risk factors through operational improvements, environmental and social plans having owned and operated the asset for over two years. The key economic assumptions used in the review were a five-year forecast average nominal zinc and lead price of \$2,220 (2018: \$2,441) and \$1,986 (2018: \$2,200) per tonne respectively and a long-term price of \$2,358 (2018: \$2,604) and \$1,900 (2018: \$2,264) per tonne respectively. Zinc and lead treatment charges are forecast to rise significantly in 2020 with a significant reduction from these returning to historic averages by 2022.

Management then performed sensitivity analyses whereby certain parameters were flexed downwards by reasonable amounts for the CGU to assess whether the recoverable value for the CGU would result in an impairment charge. The following sensitivities were applied:

- Long-term zinc price reduced by 5%
- Long-term lead price reduced by 5%
- Discount rate increased to 9%
- Production decreased by 2.5%
- Treatment charges increased by 20%
- Operational expenditure increased by 7%
- Capital expenditure increased by 20%

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

19. INTANGIBLE ASSETS CONTINUED

Impairment assessment continued

In isolation, none of the changes set out above would result in an impairment. This sensitivity analysis also does not take into account any of management's mitigation factors should these changes occur or the planned production optimisation in future years. The Board considers the base case forecasts to be appropriate and balanced best estimates.

20. INVESTMENTS

Shares in Group undertakings:

	Company	
	31 Dec 19 \$'000	31 Dec 18 \$'000
At 1 January	5,491	11,821
Investment in Shuak BV	2,800	35
Impairment of investment in Shuak BV	(2,800)	(143)
Impairment of investment in Copper Bay	–	(6,222)
At 31 December	5,491	5,491

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 % 2019	CAML % 2018	Date of incorporation
CAML Kazakhstan BV	Herikerbergweg 238, 1101 CM Amsterdam, The Netherlands	Holding Company	100	100	23 Jun 08
Shuak BV	Herikerbergweg 238, 1101 CM Amsterdam, The Netherlands	Holding Company	80	80	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)	80	80	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
CAML MK Limited	Masters House, 107 Hammersmith Road, London, W14 0QH, United Kingdom	Seller of zinc and lead concentrate	100	100	5 Sep 17
CMK Resources Limited	Cannon's Court, 22 Victoria St, Hamilton HM12, Bermuda	Holding Company	100	100	19 Jun 15
CMK Mining B.V.	Prins Bernhardplein 200 1097 JB Amsterdam, The Netherlands	Holding Company	100	100	30 Jun 15
CMK Europe SPLLC Skopje	Ivo Lola Ribar no. 57-1/6, 1000 Skopje, North Macedonia	Holding Company	100	100	10 Jul 15
Rudnik SASA DOOEL Makedonska Kamenica	28 Rudarska Str, Makedonska Kamenica, 2304, North Macedonia	Sasa project	100	100	22 Jun 05

* Fully diluted basis

CAML MK

For the period ended 31 December 2019, CAML MK Limited (registered number: 10946728) has opted to take advantage of a statutory exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The members of CAML MK Limited have not required it to obtain an audit of their financial statements for the period ended 31 December 2019. In order to facilitate the adoption of this exemption, Central Asia Metals plc, the parent company of the subsidiaries concerned, undertakes to provide a guarantee under Section 479C of the Companies Act 2006 in respect of CAML MK Limited.

Shuak

In February 2020, the Group reduced its effective interest in Ken Shuak LLP from 80% to 10%. The Group will not be required to contribute towards future costs of the project. The asset has been fully impaired.

CMK Resources Limited

During 2019, CMK Mining B.V. (formally CMK Mining Limited (Bermuda) was reincorporated from Bermuda into the Netherlands. Prior to this reincorporation, CMK Resources Limited transferred its shareholding in CMK Mining B.V. to CAML MK Limited. CMK Resources Limited was liquidated in February 2020, see note 37.

21. ASSETS HELD FOR SALE

The assets and liabilities of the Shuak entities continue to be presented as held for sale in the Statement of Financial Position. During the prior year, the exploration assets and property, plant and equipment held in Shuak were impaired in full. In February 2020, the Group reduced its effective interest in the Shuak project from 80% to 10%. The Group will not be required to contribute towards future costs of the project.

The assets and liabilities of the Copper Bay entities continue to be 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 progresses its sale process. The results of the Copper Bay entities for the year ended 31 December 2019 and the comparative year ended 31 December 2018 are shown within discontinued operations in the Consolidated Income Statement. During the prior year, the exploration assets and property, plant and equipment held in Copper Bay were impaired in full as although the Group is confident of making a sale in the near future, it is not clear of the cash generative abilities of these assets.

Assets of disposal group classified as held for sale:

	31 Dec 19 \$'000	31 Dec 18 \$'000
Cash and cash equivalents	106	58
Trade and other receivables	113	3
	219	61

Liabilities of disposal group classified as held for sale:

	31 Dec 19 \$'000	31 Dec 18 \$'000
Trade and other payables	73	40
Provisions	18	–
	91	40

During the year the following have been recognised in discontinued operations:

	2019 \$'000	2018 \$'000
Profit/(loss) from discontinued operations:		
General and administrative expenses	(170)	(153)
Foreign exchange gain/(loss)	280	(927)
Finance costs	(57)	–
Impairment of exploration and evaluation assets	–	(6,194)
Loss from discontinued operations	53	(7,274)

Cash flows of disposal group classified as held for sale:

	2019 \$'000	2018 \$'000
Operating cash flows	48	(93)
Total cash flows	48	(93)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31 Dec 19 \$'000	31 Dec 18 \$'000	31 Dec 19 \$'000	31 Dec 18 \$'000
Current receivables				
Receivable from subsidiary	–	–	381	215
Loans due from subsidiaries	–	–	341,005	373,182
Trade receivables	1,493	3,746	–	–
Prepayments	2,195	1,463	387	395
VAT receivable	1,101	2,006	90	189
Other receivables	1,487	2,863	220	211
	6,276	10,078	342,083	374,192
Non-current receivables				
Prepayments	441	71	–	–
VAT receivable	2,948	2,049	–	–
	3,389	2,120	–	–

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. Trade and other receivables and loans due from subsidiaries are accounted for under IFRS 9 using the expected credit loss model and are initially recognised at fair value and subsequently measured at amortised cost less any allowance for expected credit losses.

There are two loans due from subsidiaries. One loan is owed by CAML MK Limited, a directly owned subsidiary for \$301,179,000 (2018: \$315,116,000), accrues interest at a rate of 5% per annum and is repayable on demand. There is another loan which is owed by CMK Mining B.V, a subsidiary, for \$39,826,000 (2018: \$58,067,000) which accrues interest at a rate of 4.75% per annum and is repayable on demand. These loans have been assessed for expected credit loss under IFRS 9, however as the Group's strategies are aligned there is no realistic expectation that repayment would be demanded. The expected future cash flows arising from the asset exceed the intercompany loan values under various scenarios considered so it is believed these loans can be repaid and the expected credit loss is immaterial.

As at 31 December 2019, the total Group VAT receivable was \$4,049,000 (2018: \$4,055,000) which includes an amount of \$3,086,000 (2018: \$2,813,000) of VAT owed to the Group by the Kazakhstan authorities. In 2019, the Kazakhstan authorities refunded \$403,000 and a further \$125,306 was received in March 2020 and this has been classified as current trade and other receivables as at 31 December 2019. The Group is working closely with its advisers 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.

23. INVENTORIES

Group	31 Dec 19	31 Dec 18
	\$'000	\$'000
Raw materials	6,431	6,901
Finished goods	852	628
	7,283	7,529

The Group did not have any slow-moving, obsolete or defective inventory as at 31 December 2019 and therefore there were no write-offs to the Income Statement during the year (2018: nil). The total inventory recognised through the Income Statement was \$4,955,000 (2018: \$4,668,000).

24. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Group		Company	
	31 Dec 19 \$'000	31 Dec 18 \$'000	31 Dec 19 \$'000	31 Dec 18 \$'000
Cash at bank and on hand	14,072	21,605	3,340	2,253
Short-term deposits	14,494	13,044	14,494	13,044
Cash and cash equivalents	28,566	34,649	17,834	15,297
Restricted cash	4,013	4,376	3,824	4,222
Total cash and cash equivalent including restricted cash	32,579	39,025	21,658	19,519

The restricted cash amount of \$4,013,000 (2018: \$4,376,000) is held at bank to cover debt service compliance and Kounrad SUC licence requirements. Short-term deposits are held at call with banks.

The Group holds an overdraft facility in Sasa and these amounts are disclosed in note 30 Borrowings.

Reconciliation to cash flow statements

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	Group	
	31 Dec 19 \$'000	31 Dec 18 \$'000
Cash and cash equivalents as above (excluding restricted cash)	28,566	34,649
Bank overdrafts (note 30)	(895)	–
Cash at bank and on hand in assets held for sale (note 21)	106	58
Balance per statement of cash flows	27,777	34,707

25. SHARE CAPITAL AND PREMIUM

	Number of shares	Ordinary Shares \$'000	Share premium \$'000	Treasury shares \$'000
At 1 January 2018	176,498,266	1,765	191,184	(7,780)
Treasury shares	–	–	–	1,254
At 31 December 2018	176,498,266	1,765	191,184	(6,526)
Treasury shares	–	–	–	–
At 31 December 2019	176,498,266	1,765	191,184	(6,526)

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

26. CURRENCY TRANSLATION RESERVE

Currency translation differences arose primarily on the translation on consolidation of the Group's Kazakhstan-based and North Macedonian-based subsidiaries whose functional currency is the Tenge and North Macedonian Denar respectively. 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 CMK Resources acquisition which are denominated in Tenge and Denar respectively. During 2019, a non-cash currency translation loss of \$11,019,000 (2018: \$10,288,000) was recognised within equity.

27. SHARE BASED PAYMENTS

The Company provides 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 2019, 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 share options granted during 2012 until 2018 under this scheme were based on the achievement by the Group and the participant of the performance targets as determined by the CAML Remuneration Committee that are required to be met in year one and then options could be exercised one third annually from the end of year one. Options granted during 2012 to 2018 had straight forward conditions attached and were valued using a Black-Scholes model.

Share options granted in 2019 vest after three years depending on achievement of the Group of performance target relating to the level of absolute total shareholder return compound annual growth rate of the value of the Company's shares over the performance period of three financial years ending 31 December 2021. The fair value at grant date is independently determined using a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option, and the correlations and volatilities of the share price.

The assessed fair value at grant date of options granted during the year ended 31 December 2019 was \$1,450,000 in total with an amount of \$362,000 expensed for the year ended 31 December 2019. An additional dividend related share option charge of \$723,000 (2018: \$699,000) was also recognised. 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 17) includes these additional awards but they are excluded from the disclosures in this note.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

27. SHARE BASED PAYMENTS CONTINUED

New scheme continued

In total, an amount of \$1,085,000 (2018: \$4,904,000) 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 2019.

The model inputs for options granted during the year ended 31 December 2019 included:

Vesting period: 3 years

Vested options are exercisable for a period of 7 years after vesting

Exercise price: \$0.01

Grant date: 30 May 2019

Expiry date: 29 May 2029

Share price at grant date: \$2.71

Expected price volatility of the Company's shares: 15%

Risk-free interest rate: 1.84%

As at 31 December 2019, nil (2018: 16,000) Old Scheme options and 4,182,729 (2018: 3,295,600) 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. 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:

	2019		2018	
	Average exercise price in \$ per share option	Options (number)	Average exercise price in \$ per share option	Options (number)
At 1 January	0.01	3,311,600	0.39	2,772,260
Granted	0.01	1,124,877	0.01	1,067,414
Exercised	0.08	(156,627)	0.01	(364,074)
Expired	–	–	6.42	(164,000)
Non-vesting	0.01	(97,121)	–	–
At 31 December	0.01	4,182,729	0.01	3,311,600

Non-vesting shares relates to options granted for which the performance targets were not met. Out of the outstanding options of 4,182,729 (2018: 3,311,600), 2,149,192 options (2018: 1,505,830) were exercisable as at 31 December 2019 excluding the value of additional share options for dividends declared on those outstanding. The related weighted average share price at the time of exercise was \$2.73 (2018: \$3.71) per share.

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

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)	
			2019	2018
Old Scheme:				
21 Feb 10	21 Feb 20	0.68	–	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	60,155
3 Jun 14	2 Jun 24	0.01	196,355	196,355
8 Oct 14	7 Oct 24	0.01	214,354	214,354
22 Apr 15	21 Apr 25	0.01	358,948	358,948
18 Apr 16	18 Apr 26	0.01	533,157	621,790
21 Apr 17	21 Apr 27	0.01	642,376	676,583
2 May 18	2 May 28	0.01	952,507	1,067,415
30 May 19	2 May 29	0.01	1,124,877	–
			4,182,729	3,311,600

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.

28. TRADE AND OTHER PAYABLES

	Group		Company	
	31 Dec 19 \$'000	31 Dec 18 \$'000	31 Dec 19 \$'000	31 Dec 18 \$'000
Trade and other payables including accruals	8,981	11,137	4,760	4,805
Deferred consideration	–	6,500	–	–
Corporation tax, social security and other taxes	3,324	3,279	205	191
	12,305	20,916	4,965	4,996

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

In April 2019, an agreement with the previous owners of CMK Resources Limited for receipt of \$5,500,000 was finalised relating to the \$5,900,000 withholding tax liability in North Macedonia that relates to the activities of CMK Europe prior to CAML ownership. During the year, the Group has paid the remaining \$6,500,000 of deferred consideration.

The Group made a provision for the 2019 Kazakhstan corporate income tax liability of \$424,000 (2018: \$773,000) having paid an amount of \$13,284,000 in advance during the year (2018: \$13,588,000). \$841,000 was also paid during the year in relation to 2018 corporate income tax (2018: \$1,259,000 in relation to 2017).

The Group made a provision for the 2019 North Macedonian corporate income tax liability of \$nil (2018: \$1,293,000) having paid an amount of \$6,211,000 in advance during the year which exceeded the final liability (2018: \$8,191,000). \$792,000 was also paid during the year in relation to 2018 corporate income tax (2018: \$2,840,000 in relation to 2017).

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

29. SILVER STREAMING COMMITMENT

The carrying amounts of the silver streaming commitment for silver delivery are as follows:

	Group		Company	
	31 Dec 19 \$'000	31 Dec 18 \$'000	31 Dec 19 \$'000	31 Dec 18 \$'000
Current	2,140	2,263	–	–
Non-current	20,755	22,905	–	–
	22,895	25,168	–	–

On 1 September 2016, the CMK Group entered into a Silver Purchase Agreement. The Group acquired this agreement as part of the acquisition of the CMK Group and inherited a silver streaming commitment related to the production of silver during the life of the mine. The reduction in the silver streaming commitment is recognised in the Income Statement within cost of sales as the silver is delivered based on the units of production.

30. BORROWINGS

	Group		Company	
	31 Dec 19 \$'000	31 Dec 18 \$'000	31 Dec 19 \$'000	31 Dec 18 \$'000
<i>Secured: Non-current</i>				
Bank loans	69,473	106,549	69,473	106,549
<i>Secured: Current</i>				
Bank loans	38,400	38,400	38,400	38,400
<i>Unsecured: Current</i>				
Bank overdraft	895	–	–	–
Total Current	39,295	38,400	38,400	38,400
Total borrowings	108,768	144,949	107,873	144,949

The carrying value of loans approximates fair value:

	Carrying amount		Fair value	
	31 Dec 19 \$'000	31 Dec 18 \$'000	31 Dec 19 \$'000	31 Dec 18 \$'000
Traxys	107,873	144,949	107,873	144,949
Bank overdraft	895	–	895	–
	108,768	144,949	108,768	144,949

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

30. BORROWINGS CONTINUED

The movement on borrowings can be summarised as follows:

	Group		Company	
	31 Dec 19 \$'000	31 Dec 18 \$'000	31 Dec 19 \$'000	31 Dec 18 \$'000
Balance at 1 January	144,949	181,914	144,949	113,711
Drawdown of borrowings	–	60,809	–	60,000
Repayment of borrowings	(38,400)	(99,265)	(38,400)	(28,744)
Finance charge interest	9,455	12,065	9,455	7,142
Finance charge unwinding of directly attributable fees	1,324	2,323	1,324	814
Interest paid	(9,455)	(12,065)	(9,455)	(7,142)
Gain on modification of the debt facility	–	(832)	–	(832)
Overdraft drawdown	895	–	–	–
Balance at 31 December	108,768	144,949	107,873	144,949

During the year, \$38,400,000 (2018: \$38,500,000) of the principal amount of Group debt was repaid as well as a further \$9,455,000 (2018: \$12,065,000) interest. As at 31 December 2019, non-current and current borrowings were \$69,473,000 and \$38,400,000 respectively (2018: \$106,549,000 and \$38,400,000 respectively).

The Group holds one corporate debt package with Traxys Europe S.A. repayable on 4 November 2022. Interest is payable at LIBOR plus 4.75% and reduced to LIBOR plus 4.00% with effect from 27 March 2020. Security is provided over the shares in CAML Kazakhstan BV, certain bank accounts and the Kounrad off-take agreement as well as over the Sasa off-take agreement.

The debt is subject to financial covenants which include the monitoring of gearing and leverage ratios and these are all currently complied with.

In August 2019, an overdraft facility was agreed with Komercijalna Banka AD Skopje with a fixed interest rate of 3.80% denominated in Macedonian Denar. The overdraft was utilised for the first time in December 2019.

As at 31 December 2019, 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).

31. 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 2018	4,576	180	154	455	5,365
Change in estimate	(159)	55	21	–	(83)
Settlements of provision	–	(31)	(3)	(108)	(142)
Unwinding of discount (note 15)	489	–	–	–	489
Exchange rate difference	(478)	(8)	(7)	(20)	(513)
At 31 December 2018	4,428	196	165	327	5,116
Change in estimate	3,664	39	36	–	3,739
Settlements of provision	–	(32)	(11)	(30)	(73)
Unwinding of discount (note 15)	329	–	–	–	329
Exchange rate difference	(23)	(4)	(4)	(7)	(38)
At 31 December 2019	8,398	199	186	290	9,073
Non-current	8,398	171	168	290	9,027
Current	–	28	18	–	46
At 31 December 2019	8,398	199	186	290	9,073

a) Asset retirement obligation

The Group provides for the asset retirement obligation associated with the mining activities at Kounrad, estimated internally 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% (2018: 8.07%). The increase in estimate in relation to the asset retirement obligation of \$750,000 (2018: reduction of \$159,000) is due to a combination of adjusting the provision recognised at the net present value of future expected costs using an inflation rate of 4.13% (2018: 5.59%) 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 North 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. In 2017, the Group engaged an independent expert to conduct an independent assessment on the environment of the mining activities of the Group and to prepare an assessment of the restoration and the relevant costs connected with the mine, and the mining properties and in 2019, the Group engaged the University of Shtip to assess future costs in relation to TSF3.2 and TSF4. The final asset retirement obligation used these external assessment as well as the Group's own internal calculations to estimate the future potential obligations. The expected current cash flows were projected over the useful life of the mining sites and discounted to 2019 terms using a discount rate of 7.25% (2018: 7.87%). The cost of the related assets are depreciated over the useful life of the assets and are included in property, plant and equipment. The increase in estimate in relation to the asset retirement obligation of \$2,914,000 (2018: reduction of \$10,000) is from 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 2038.

b) Employee retirement benefit

All employers in North 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.

c) Other employee benefit

The Group is also obliged to pay jubilee anniversary awards in North Macedonia for each ten years of continuous service of the employee. Provisions for termination and retirement obligations are recognised in accordance with actuary calculations. Basic 2019 actuary assumptions are used as follows:
Discount rate: 3.0%
Expected rate of salary increase: 2.2%

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.

32. CASH GENERATED FROM OPERATIONS

Group	Note	2019 \$'000	2018 \$'000
Profit before income tax including discontinued operations		67,847	65,406
Adjustments for:			
Depreciation and amortisation		30,080	33,342
Silver stream commitment		(2,285)	(1,599)
Loss on disposal of property, plant and equipment	10	481	561
Foreign exchange gain/(loss)		(375)	3,879
Share based payments	27	1,085	4,904
Finance income	14	(336)	(264)
Finance costs	15	11,153	14,999
Other expenses	10	–	576
Impairment of held for sale assets	21	–	6,194
Changes in working capital:			
Inventories	23	246	(683)
Trade and other receivables	22	(1,740)	(386)
Trade and other payables	28	(940)	3,550
Provisions for other liabilities and charges	31	(73)	(348)
Cash generated from operations		105,143	130,131

Non-cash investing activities

In April 2019, a settlement agreement with the previous owners of CMK Resources Limited was finalised in respect of the \$5,900,000 withholding tax liability in North Macedonia paid in the prior year. The liability related to activities of CMK Europe prior to CAML's ownership. The settlement amounted to \$5,500,000 and accordingly, during 2019, CAML agreed to pay only the balancing \$6,500,000 due in respect of the \$12,000,000 deferred consideration owed to the previous owners.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

33. COMMITMENTS

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

Group	31 Dec 19 \$'000	31 Dec 18 \$'000
Property, plant and equipment	851	475
Other	340	570
	1,191	1,045

34. DIVIDEND PER SHARE

In line with the Company dividend policy, the Company paid \$32,164,000 in 2019 (2018: \$39,603,000) which consisted of a 2019 interim dividend of 6.5 pence per share and a final dividend for 2018 of 8.0 pence per share (2018: interim dividend of 6.5 pence per share and a final dividend for 2017 of 10.0 pence per share).

35. RELATED PARTY TRANSACTIONS**Key management remuneration**

Key management remuneration comprises the Directors' remuneration, including Non-Executive Directors, disclosed in the Remuneration Committee Report.

Non-Executive Directors

During the year, the Group paid consultancy fees of nil (2018: \$13,261) 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.

The Kounrad foundation, a vehicle through which Kounrad donates to the community, was advanced \$195,000 (2018: \$226,000). This is a related party by virtue of common Directors.

36. DEFERRED INCOME TAX ASSET AND LIABILITY**Group**

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

	At 1 Jan 19 \$'000	Currency translation differences \$'000	(Debit)/credit to income statement \$'000	At 31 Dec 19 \$'000
Other timing differences	(77)	–	(113)	(190)
Deferred tax liability on fair value adjustment on Kounrad Transaction	(6,681)	(51)	304	(6,428)
Deferred tax liability on fair value adjustment on CMK acquisition	(20,912)	575	1,132	(19,205)
Deferred tax liability, net	(27,670)	524	1,323	(25,823)

Reflected in the statement of financial position as:

	31 Dec 19 \$'000	31 Dec 18 \$'000
Deferred tax asset	266	–
Deferred tax liability	(26,089)	(27,670)

A taxable temporary difference arose as a result of the Kounrad Transaction and CMK 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 \$1,436,000 during the year (2018: \$1,535,000) to reflect the tax consequences of depreciating and amortising the recognised fair values of the assets during the year.

	At 1 Jan 18 \$'000	Currency translation differences \$'000	(Debit)/credit to income statement \$'000	At 31 Dec 18 \$'000
Other timing differences	(121)	10	34	(77)
Deferred tax liability on fair value adjustment on Kounrad Transaction	(8,103)	1,056	366	(6,681)
Deferred tax liability on fair value adjustment on CMK acquisition	(22,972)	891	1,169	(20,912)
Deferred tax liability	(31,196)	1,957	1,569	(27,670)

	At 31 Dec 19 \$'000	At 31 Dec 18 \$'000
Deferred tax liability due within 12 months	(1,345)	(1,017)
Deferred tax liability due after 12 months	(24,744)	(26,653)
Deferred tax liability	(26,089)	(27,670)

All deferred tax assets are due after 12 months.

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

The Group did not recognise other potential deferred tax assets arising from losses of \$7,417,000 (2018: \$8,465,000) as there is insufficient evidence of future taxable profits within the entities concerned. Unrecognised losses can be carried forward indefinitely.

At 31 December 2019, the Group had other deferred tax assets of \$2,810,000 (2018: \$2,085,000) 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 2019 and 2018, respectively.

Company

At 31 December 2019 and 2018 respectively, the Company had no recognised deferred tax assets or liabilities.

At 31 December 2019, the Company had not recognised potential deferred tax assets arising from losses of \$7,417,000 (2018: \$8,465,000) as there is insufficient evidence of future taxable profits. The losses can be carried forward indefinitely.

At 31 December 2019, the Company had other deferred tax assets of \$2,810,000 (2018: \$2,085,000) in respect of share-based payments and other temporary differences which had not been recognised because of insufficient evidence of future taxable profits.

37. EVENTS AFTER THE REPORTING PERIOD

On 6 February 2020, the Group reduced its effective interest in Ken Shuak LLP from 80% to 10%. The Group will not be required to contribute towards future costs of the project.

On 7 February 2020, the Group liquidated CMK Resources Limited, a wholly owned subsidiary.

The price of copper, zinc and lead have been impacted in 2020 by concerns over the outbreak of the COVID-19 pandemic and this will impact on Group revenue for the year ended 31 December 2020 and may impact future asset values should they remain depressed. The CAML Board has considered and debated a substantial range of possible scenarios of the Group's operations, financial position and forecasts covering a period of at least the next 12 months from the date of this report and these are discussed in note 2. Whilst there has been little impact of COVID-19 to our operations at present, restrictions on the movement of goods, people and services could impact the Group's operations and management.

GLOSSARY OF TECHNICAL TERMS

Ag	Chemical symbol for silver
Assay	Laboratory test conducted to determine the proportion of a mineral within a rock or other material
Grade	The proportion of a mineral within a rock or other material. For zinc and lead mineralisation this is usually reported as a percentage of zinc and lead per tonne of rock
g/t	Grammes per tonne
Indicated Mineral Resource	An Indicated Mineral Resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve
Inferred Mineral Resource	An Inferred Mineral Resource is that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration
JORC	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, as published by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
Mineral Resource	A Mineral Resource is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling
NSR cut off	The lowest net smelter return ('NSR') value of mineralised material that qualifies as potentially economically mineable
Ore Reserve	An Ore Reserve is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which Reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported
Pb	Chemical symbol for lead
Probable Ore Reserve	A Probable Ore Reserve is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve
Zn	Chemical symbol for zinc

DIRECTORS, SECRETARY AND ADVISORS

BOARD OF DIRECTORS

Nick Clarke, Non-Executive Chairman
 Nigel Robinson, Chief Executive Officer
 Gavin Ferrar, Chief Financial Officer
 Nigel Hurst-Brown, Deputy Chairman
 Robert Cathery, Non-Executive Director
 Roger Davey, Non-Executive Director
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 David Swan, Non-Executive Director
 Nurlan Zhakupov, Non-Executive Director

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