

16 September 2020

Central Asia Metals plc
(the 'Group', the 'Company' or 'CAML')

Interim Results for the Six Months Ended 30 June 2020

Central Asia Metals plc (AIM: CAML) is pleased to announce its unaudited interim results for the six months ended 30 June 2020 ('H1 2020' or the 'period').

H1 2020 operational summary

- Post period end (14 September 2020) Sasa tailings storage facility 4 ('TSF4') leakage
 - Work with relevant authorities ongoing to understand the root cause and likely timings to recommence production
 - Based on the initial information available, CAML believes that the facility can be repaired and secured and that an extended shutdown of the processing plant is unlikely
- No lost time injuries in H1 2020 ('LTIs') (H1 2019: one)
- Sasa zinc in concentrate production of 12,203 tonnes (H1 2019: 11,517 tonnes)
 - Payable zinc sales of 10,273 tonnes (H1 2019: 9,708 tonnes)
- Sasa lead in concentrate production of 15,140 tonnes (H1 2019: 14,357 tonnes)
 - Payable lead sales of 14,445 tonnes (H1 2019: 13,731 tonnes)
- Kounrad copper production of 6,607 tonnes (H1 2019: 6,594 tonnes)
 - Copper sales of 6,600 tonnes (H1 2019: 6,461 tonnes)

H1 2020 financial summary

- Dividend decision deferred pending greater clarity on TSF4 leakage
- Group gross revenue¹ of \$75.4 million (H1 2019: \$89.9 million) and Group net revenue of \$70.8 million (H1 2019: \$85.6 million)
- Group profit before tax of \$24.3 million (H1 2019: \$35.5 million)
- Sasa C1 zinc equivalent cash cost reduced to \$0.43 per pound (H1 2019: \$0.47 per pound)
- Kounrad C1 copper cash cost reduced to \$0.48 per pound (H1 2019: \$0.51 per pound)
- Group EBITDA¹ of \$42.5 million (H1 2019: \$56.7 million)
- EBITDA margin¹ of 56% (H1 2019: 63%)
- EPS from continuing operations of 10.35 cents per share (H1 2019: 15.42 cents per share)
- Cash in the bank as at 30 June 2020 of \$44.0 million² (31 December 2019: \$32.6 million²)
- Group net debt¹ as at 30 June 2020 of \$58.8 million (31 December 2019: \$80.2 million)
- Debt repayments of \$19.2 million (H1 2019: \$19.2 million)
- Group free cash flow¹ of \$21.1 million (H1 2019: \$35.5 million)
- Average metal prices received below H1 2019, but have subsequently recovered strongly since 30 June 2020:
 - Average copper price received of \$5,605 per tonne (H1 2019: \$6,191 per tonne), against a current spot price of \$6,760 per tonne
 - Average zinc price received of \$1,964 per tonne (H1 2019: \$2,676 per tonne), against a current spot price of \$2,457 per tonne
 - Average lead price received of \$1,676 per tonne (H1 2019: \$1,930 per tonne), against a current spot price of \$[1,899] per tonne

Outlook

- On course to achieve 2020 copper production guidance of:
 - 12,500 - 13,500 tonnes of copper

- Sasa processing facilities not currently operational while TSF4 leakage investigation is underway
 - Zinc and lead production guidance under review (previously 23,000 – 25,000 tonnes of zinc and 30,000 – 32,000 tonnes of lead)
- CAML Group management sustainability targets identified
- Sasa Life of Mine study concluded, with mining method changes recommended

¹ See Financial Review section for definition of non-IFRS alternative performance measures

² The cash balance figure disclosed includes restricted cash balance

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EU) 596/2014

Nigel Robinson, Chief Executive Officer, commented:

“We have today released a strong set of financial results, demonstrating our reliable and low-cost metal output produced safely. Under challenging H1 2020 operational and metal price conditions due to COVID-19, we are pleased to have reported EBITDA of \$42.5 million. Indeed, delivering this result at a margin of 56%, during one of the most difficult and unusual periods in recent history is, I believe, a testament to the fundamental strength of our business and the quality of our operations and on-site teams. We have continued to reduce our corporate debt facility, repaying over \$19 million during the first half of the year and we have ensured we retained a strong balance sheet throughout the period. I was pleased that during the period we published our first sustainability report, detailing our efforts and achievements in this important area of our business at the corporate level as well as for Sasa and Kounrad.

“However, this strong performance has been somewhat overshadowed by the tailings dam leakage that occurred at Sasa’s TSF4 on Monday 14 September 2020, which has resulted in us temporarily stopping production at the mine. Of most importance, no one was harmed in the incident and we now have the situation under control. Site management are working with the authorities to understand the root cause so we can repair the facility and ensure that we can safely operate again. Based on the initial information available, we consider the likelihood of an extended shutdown of the processing plant to be low.

“At the time of our H1 2020 operational update in July 2020, we announced that we had some cases of COVID-19 at Kounrad. This has been managed at site and there are currently no positive cases, with those previously affected having now returned to work. Since the period end, there have been a small number of COVID-19 cases at Sasa and in the local town, Makedonska Kamenica, and I have confidence that we are managing this situation as well as possible.

“Post the period end, our operations team completed the Sasa Life of Mine study, which builds upon the preliminary work announced in January 2020. Changing the mining method from the current sub-level caving to cut and fill stoping will not only result in maximum recovery of mineral resources, but will also enable safer operating practices as well as longer-term improvements to tailings disposal.

“At the time of our 2019 results, we took the difficult decision not to recommend a final dividend given the uncertainties that were facing our business and many others at that time. We have been able to safely mitigate a number of these key risks or seen these naturally recede. Post period end, we have seen a strengthening in metals pricing and continued, consistent operational performance. We had therefore planned to reinstate our dividend. However, given the recent TSF4 leakage, we have decided to delay declaring our interim dividend pending further clarity on the likely cost and timing on rectifying this issue, and we aim to provide an update in the near term.”

Analyst conference call

There will be an analyst conference call on Wednesday 16 September 2020 at 09:30 (BST). The call can be accessed by dialling +44 (0) 20 3003 2666 and quoting the confirmation code 'CAML Interim Results'. Additionally, the presentation can be viewed via a live webcast using the following link <https://webcasting.brrmedia.co.uk/broadcast/5f3e574fb14d87262643a3b1>. The webcast and the Company's corporate presentation will be available on the CAML website at www.centralasiametals.com.

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Qualified Person Statement:

The technical information contained in this announcement has been reviewed by Scott Yelland, CAML COO, a qualified Chartered Engineer and Fellow of the Institute of Materials, Minerals and Mining (FIMMM).

Note to editors:

Central Asia Metals, an AIM-listed UK company based in London, owns 100% of the Kounrad SX-EW copper project in central Kazakhstan and the Sasa zinc-lead mine in North Macedonia.

For further information, please visit www.centralasiametals.com and follow CAML on Twitter at @CamlMetals and on LinkedIn at Central Asia Metals Plc

Chief Executive Officer Review

The first six months of 2020 were very positive for CAML, with zinc and lead production from Sasa in North Macedonia and copper production from Kounrad in Kazakhstan in line with expectations. This result was achieved whilst having made COVID-19 related operational changes to mitigate the risk of infection amongst the workforce. CAML is pleased to also report a safe six months, with no lost time injuries ('LTIs') at either operation.

Zinc and lead production at Sasa were 12,203 tonnes and 15,140 tonnes respectively. Payable zinc sales for the period were 10,273 tonnes and, for lead, were 14,445 tonnes, and H1 2020 gross revenue from these metal concentrates was \$38.4 million. This was 23% lower than H1 2019 due to significantly lower commodity prices and higher treatment charges (up 60% HoH) during the recent period, with the zinc price received being on average 27% lower than the previous corresponding period and the lead price 13% lower. Sasa's

costs of production are low by industry standards at \$0.43 per pound of zinc, and this resulted in a Sasa H1 2020 EBITDA of \$19.5 million.

Kounrad produced 6,607 tonnes of copper cathode during the period and sold 6,600 tonnes, generating gross revenue of \$37.0 million from an average copper price received of \$5,605 per tonne, 9% lower than that received in H1 2019. With a C1 cost of copper production that is amongst the lowest in the world at \$0.48 per pound, Kounrad generated H1 2020 EBITDA of \$27.1 million.

H1 2020 CAML Group EBITDA was \$42.5 million. While this result was 25% below that of H1 2019 due to weaker copper, zinc and lead prices and increased treatment charges at Sasa, the margin of 56% (down from 63% in H1 2019) in the commodity market environment reflects strong cost control operationally. EPS of 10.35 cents was 33% below the previous corresponding period. In a challenging period globally, it is important to note Group free cash flow generation of \$21.1 million.

Given this strong performance and improving commodity price outlook for H2 2020, CAML had expected to reinstate its dividend. However, given the recent TSF4 leakage, the Board has decided to delay making a decision regarding the interim dividend pending further clarity on the likely cost and timing on rectifying this issue. Based on the initial information available from early investigations, CAML believes that the facility can be repaired and secured and considers the likelihood of an extended shutdown of the processing plant to be low.

Much of CAML's H1 2020 community focused sustainability efforts were related to COVID-19. The Company has provided financial and community support to help both Kazakhstan and North Macedonia in the fight against the pandemic. In Kazakhstan, this included the Kounrad Foundation charity purchasing a polymerase chain reaction ('PCR') machine for Balkhash Central Hospital, which is soon to be delivered, to ensure timely virus testing for the local population. In North Macedonia, Sasa donated around \$150,000 to provide support for hospitals (approximately 50% of funds), as well as support for the most vulnerable in the local community and a contribution to the government's Ministry of Health COVID-19 fund.

CAML has during H1 2020 set its executive directors and senior managers sustainability-related targets for 2020, and remuneration will be linked to achievements in these important areas. These targets cover health, safety and employee welfare and development in general, as well as looking after the environment and communities close to CAML operations.

The Company has completed its Life of Mine ('LoM') study and the CAML Board recommends the transition of Sasa's Svinja Reka orebody from the current sub-level caving mining method to a more selective cut and fill stoping approach. A larger Ore Reserve will be available for mining because of safer stress conditions under the cut and fill methodology, which has meant that previously planned pillars of ore at depth can now be extracted, as well as long term improvements to the storage of tailings.

Management's focus on business development has been maintained and the team is currently reviewing a number of opportunities. While CAML's priorities remain managing operations and delivering shareholder value through dividends and deleveraging, growth by acquisition remains an important capital allocation consideration, with scale and liquidity becoming ever more important investor considerations.

Looking forward, uncertainty remains regarding the global health and economic ramifications of COVID-19, although metal prices have improved significantly from their lows of H1 2020. The TSF4 leakage is under control and an investigation underway, and the Company aims to repair and secure this facility as safely and swiftly as possible. Kounrad remains on course to meet its 2020 guidance at costs that are amongst the lowest in the world.

Sustainability review

Health and safety

No LTIs were reported at either Kounrad or Sasa during H1 2020. There was one medical treatment injury ('MTI') at Sasa during H1 2020 and therefore one CAML Group total recordable injury ('TRI') during H1 2020. CAML's H1 2020 lost time injury frequency rate ('LTIFR') is therefore zero, and its total recordable injury frequency rate ('TRIFR') is 0.87, which are low by industry standards. By 30 June 2020, 518 days had passed since the last LTI at Sasa and 775 days since the last LTI at Kounrad.

No occupational health issues were identified at either Sasa or Kounrad during H1 2020.

COVID-19

The Company has put in place many measures during H1 2020 to ensure the health and wellbeing of its employees and contractors on both sites, including:

- Establishing a COVID-19 'Crisis Committee', involving regular calls between CAML Group and operations teams to coordinate responses/actions and share ideas
- Staff at both operations instructed to work from home where possible
- A cessation of all but essential international travel
- A cessation of all but necessary visitors to site (subject to authorisation from the relevant local General Director)
- Identification and close monitoring of team members most vulnerable to COVID-19 with many temporarily removed from the workplace
- The distribution of COVID-19 related PPE to employees and contractors
- Undertaking a detailed review of all activities at both sites to ensure that social distancing is at the heart of operations during the pandemic
- Changes made to canteen and transport arrangements at both operations to increase social distancing
- Relevant government guidance reinforced, and increased hygiene measures implemented on both sites
- Employees instructed to stay at home and the Company arranging a test if they suffer from any potential COVID-19 symptoms
- Temperature testing on entry to transport buses and at the operation gates

To date, 39 Kounrad employees have tested positive for COVID-19, and all are now recovered and working again. The team has begun to bring back more team members onto the site, and currently has approximately 13% of employees working from home. Post the period end, there have been a number of cases in the town closest to the Sasa mine, as well as seven employees at the mine who have tested positive for COVID-19 in the last two months. Three of these team members have to date recovered and returned to work.

Environment

Sasa

During H1 2020, there were no environmental incidents or high potential incidents and Sasa's air quality and dust concentrations remained within the 24-hour limit values.

Regarding water usage, last year Sasa was able to decrease its net water consumption by 43% due to recycling initiatives. An external study was planned for H1 2020 to analyse further increases in the percentage of recycled waters used in the Sasa processing plant. However, this was postponed due to COVID-19 related site visitor restrictions. This study will commence as soon as circumstances allow.

The Sasa team has been considering ways to reduce greenhouse gas emissions and has commenced conversations with the local power provider with a view to potentially purchasing more renewable power.

In addition, a study is also due to commence in H2 2020 into the viability of generating wind and / or solar power at Sasa.

The Global Industry Standard on Tailings Management has now been published and work is already underway on site to ascertain the exact workstreams that would be required to ensure Sasa's compliance.

Post the period end, there was a short-term leakage of tailings from Sasa's TSF4 into the local river. The leakage was stopped soon after and nobody has been harmed. All relevant parties have been informed in North Macedonia and, in conjunction with the appropriate national authorities, an investigation is now underway to ascertain the volume of leaked material as well as the root cause.

Kounrad

In H1 2020, there were no environmental incidents or high potential incidents at Kounrad. An external laboratory tested samples from 10 locations around the site during the period, with the findings being that Kounrad's air quality and dust remain within the permitted levels for the licence. External air quality tests were also taken in Q2 2020, with no exceedances identified.

In H1 2020, the Kounrad team commenced a study into the viability of producing wind and / or solar power in Kazakhstan in order to reduce the site's reliance on grid power, which is largely coal-fired. If feasible, this could reduce Kounrad's Scope 2 emissions. The study is underway and is expected to be completed to a 'scoping' level in H2 2020.

Community

Much of CAML's H1 2020 support for the communities around Sasa and Kounrad has been related to the COVID-19 pandemic.

Sasa

During H1 2020, there were no serious complaints from the local community.

In North Macedonia, Sasa made the decision to donate around \$150,000 towards the fight against COVID-19 including a national contribution to the Ministry of Health, procurement of personal protective equipment for medical staff and key members of the local community, donations of food and hygiene products to the most vulnerable, and additional automatic anaesthesia equipment for a major hospital.

The first community training course run at the new Sasa-built facility in Makedonska Kamenica was completed in Q1 2020. The three trainees which passed the electrical maintenance course were employed by Sasa. The employment of the four successful mechanical maintenance course attendees has been postponed due to COVID-19.

During H1 2020, CAML spent \$0.1 million in total supporting community projects, with some of the COVID-19 related spending occurring in July 2020.

Kounrad

During H1 2020, there were no serious complaints from the local community.

CAML's Kounrad Foundation charity in Kazakhstan purchased a polymerase chain reaction ('PCR') machine for Balkhash Central Hospital, close to the Group's copper operations, which will be installed during H2 2020. At a cost of approximately \$70,000, this machine will enable timely COVID-19 testing for the local population, as recommended by the World Health Organisation ('WHO'). The Kounrad Foundation also purchased an automatic back-up power unit for the hospital to ensure security of electrical supply during crucial medical treatments. Food and medical donations have also been made to the most vulnerable.

During H1 2020, CAML spent \$0.2 million supporting community projects. The Kounrad Foundation's Crisis Centre project was also largely completed during H1 2020 and was visited by the local Akim (mayor) in June.

This is a family support centre predominantly for women and children leaving difficult domestic circumstances. The Kounrad Foundation purchased and refurbished a building in the town of Balkhash to create a temporary home for these individuals. The Kounrad Foundation also completed refurbishment works in a centre for the blind in Balkhash, as well as building and refurbishment works for a centre for disabled people, also in Balkhash.

Our people

During H1 2020, CAML hired an experienced Group People Manager to work with the two site-based Human Resources teams. The Company considers this a key hire in proactively moving forward the employee aspects of the business. Key areas of initial focus were setting up an employee working group to ascertain how employees will work and remain connected throughout COVID-19 challenges. Employee handbook and policies are being refined, as well as HR management plans for both sites. Training and development goals will also be a key area of work.

Sustainability reporting

In Q2 2020, CAML published its first standalone Sustainability Report, covering the 2019 activities corporately and at Sasa and Kounrad. Also in Q2 2020, CAML retained consultants, SustainAbility, part of the global ERM Group, to undertake a stakeholder engagement exercise, which will further inform the Group of its material topics, as identified through the 2019 desk-based materiality assessment. This work is underway and is expected to be completed during H2 2020 in readiness for CAML's 2020 Sustainability Report.

2020 Sustainability targets

For the 2020 period, CAML executive directors and senior managers will be appraised on the following key sustainability performance areas.

Health and safety

- Zero fatalities
- 15% reduction in the two year average LTIFR of 2.01 to below 1.71

Environment

- Zero severe or major environmental incidents
- Complete Kounrad scoping study into the potential of generating wind and / or solar power in Kazakhstan

Community

- Zero severe or major community incidents

People

- 100% of new joiners given full induction training and a training and development plan
- Development of site people plans for both operations

Governance

- Deliver audit plan for suppliers and contractors to ensure responsible supply chain

CAML's performance against these targets, as well as other initiatives, will be reported upon in the 2020 Sustainability Report, to be published in Q2 2021.

Operations review

Sasa

Production

In H1 2020, total mined ore was 416,055 tonnes and ore processed was 419,856 tonnes. The head grades for H1 2020 were on average 3.37% for zinc and 3.82% for lead and H1 2020 metallurgical recoveries were 86.3% for zinc and 94.3% for lead.

Sasa produces a zinc concentrate and a separate lead concentrate. H1 2020 production was 24,510 tonnes of zinc concentrate at an average grade of 49.8% and 21,035 tonnes of lead concentrate at an average grade of 72.0%.

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, H1 2020 payable production was 10,242 tonnes of zinc and 14,383 tonnes of lead.

	Units	H1 2020	H1 2019
Ore mined	t	416,055	400,251
Plant feed	t	419,856	404,540
Zinc grade	%	3.37	3.28
Zinc recovery	%	86.3	86.7
Lead grade	%	3.82	3.76
Lead recovery	%	94.3	94.4
Zinc concentrate	t (dry)	24,510	23,306
- Grade	%	49.8	49.4
- Contained zinc	t	12,203	11,517
Lead concentrate	t (dry)	21,035	19,720
- Grade	%	72.0	72.8
- Contained lead	t	15,140	14,357

Sales

Payable base metal in concentrate sales from Sasa for the six-month period were 10,273 tonnes of zinc and 14,445 tonnes of lead.

Global supply disruptions due to COVID-19 resulted in general tightness in concentrate markets and lower treatment charges in China. Two smelters in China were identified to diversify CAML's customer base, and 3,261 dry tonnes of lead concentrate have been shipped to them during H1 2020. Contracts are now in place with these customers for approximately 15% of Sasa's 2020 lead product. Through these lead concentrate sales, Sasa is benefitting from reduced treatment charges albeit with an increase in freight costs.

During H1 2020, Sasa sold 176,655 ounces of payable silver to Osisko Gold Royalties, in accordance with its streaming agreement.

New technology underground

During H1 2020, orders were placed for six new pieces of Epiroc underground equipment and, during the period, four of the six machines (three loaders and a boomer drill rig) arrived at site. Post the period end, a new truck has been delivered to Sasa.

Newtrax equipment monitoring software was installed in Q1 2020 and is now operational on 11 of 17 machines, with plans to retrofit this on the remaining machines in the near term. This software produces weekly reports on vehicle utilisation, availability as well as number of cycles completed. 'Real time' data will be available once the installation of underground internet is completed, which has been delayed due to COVID-19 travel and site visit restrictions.

At Sasa, two underground loaders were fitted with remote loading capabilities during the period. These machines are now operating in this manner, with the result being that the operator is removed from the working faces, thus improving safety.

Sasa Life of Mine study

Overview

In January 2020, CAML announced that the Board had agreed in principle to transition the Svinja Reka operations at Sasa from the current sub-level caving mining method to cut and fill stoping. The operations team has been working on technical aspects and accurate costs since then and has recently finalised much of this work programme post the period end. The Board continues to recommend the change of mining method, and this transition process will soon commence.

In order to move to cut and fill stoping and therefore ensure effective long-term operations for the life of the mine at Svinja Reka, several practical changes will be implemented at site.

Underground extraction

Cut and fill stoping is a more selective mining method than sub-level caving, which is expected to achieve greater recovery of ore as well as reducing the dilution of ore with un-mineralised material. It is a bottom-up mining method involving drilling, blasting and mucking out of ore before filling voids. Mining at Svinja Reka will be achieved with the same technical team and workforce, using the same equipment that is currently on site and being purchased as part of the fleet replacement programme that is underway.

Backfill

The cut and fill mining method involves filling mined voids with a backfill paste material containing tailings to provide support, rather than allowing the roof to cave as is the case with the current sub-level caving method. In order to achieve this, a backfill plant will be constructed, along with associated reticulation pipework to transport this material underground. Tailings from the processing facilities will be sent to the backfill plant to be thickened and pressed to contain 80% solids, and then mixed with a slurry containing cement, fly ash and water to produce a paste of the appropriate consistency. This is then distributed underground to fill stopes.

Storage of tailings

Given that a major component of the backfill material will be tailings generated from the Sasa processing plant, it is estimated that approximately 45% of Svinja Reka's life of mine tailings will be stored underground. Approximately 30% of tailings will be stored in the current TSF4, and CAML is advancing studies with a view to dry stacking the remainder and therefore eliminating the need to construct further tailings dams in the future. A drilling programme to identify a suitable and stable location for this material is being undertaken during H2 2020 and CAML is confident of positively concluding this work. The Company is firmly committed to the environmental and socially responsible disposal of tailings for the long term.

More efficient underground access

In order to ensure efficient underground operations for the long term, it is proposed (but not yet approved by the Board) to develop a new decline from surface. This will provide faster and more cost-effective access to the mine, reducing round trip cycles by approximately 60% once completed. The decline, which would be larger than the current access route, would offer increased ventilation, easier access for reticulation infrastructure and the ability to increase ore production to 900,000 tonnes per year in the medium term, while removing the 'double handling' aspect of the tracked, shaft haulage and conveyor configuration of the current 830 haulage level. This will become particularly important once mining operations progress to below the 830 level. If approved and developed, 100% of Svinja Reka ore would be transported to surface in trucks.

Svinja Reka Mineral Resources

Sasa's technical services team has updated the Mineral Resource Estimate ('MRE') for the Svinja Reka deposit as of 30 June 2020.

Svinja Reka		Grades			Contained metal		
	Mt	Pb (%)	Zn (%)	Ag(g/t)	Pb (kt)	Zn (kt)	Ag(koz)
Indicated	12.7	4.7	3.3	25.7	588	421	10,463
Inferred	2.0	3.9	2.0	22.6	81	42	1,508
Total	14.7	4.5	3.1	24.8	669	463	11,972

Notes

- Mineral Resources have an effective date of 30 June 2020. The Competent Person for the declaration of Mineral Resources is Jordan Angelov, MSc. MAIG. 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 Interim 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.
- 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 or ounces. 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.

Prior Sasa MREs have been estimated by SRK Consulting. Depleted resources only have been estimated by the Sasa technical team. This Svinja Reka MRE has been estimated using a fully digitised block model incorporating increased knowledge of geology and structural controls, as well as over 5,000 additional composite samples. This MRE demonstrates a larger resource tonnage than the previous MRE, the same average lead grade and a slightly lower zinc grade. Contained lead is up on the previous MRE despite H1 2020 depletion, while contained zinc is approximately 26,000 tonnes lower after accounting for H1 2020 depletion.

Svinja Reka Ore Reserves

The following Ore Reserve Statement has been prepared by the Sasa technical team on the basis of a transition over four years comprising a two year construction period followed by a two year ramp up period from the sub-level caving mining method to cut and fill. It takes into account the updated MRE and modifying recovery and dilution factors appropriate for each of the two mining methods.

Svinja Reka		Grades			Contained metal		
	Mt	Pb (%)	Zn (%)	Ag(g/t)	Pb (kt)	Zn (kt)	Ag(koz)
Probable	10.7	4.0	3.0	22.3	431	320	7,671
Total	10.7	4.0	3.0	22.3	431	320	7,671

Notes

- 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 CAML. 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).
- 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 metal prices used to assess the Ore Reserve estimate in the financial model are \$2,250/t for zinc and \$1,850/t for lead
- The standard adopted in respect of the reporting of Mineral Resources and Ore Reserves 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').

The above Ore Reserve statement takes into account the reduced dilution and an increase in ore recovery expected when using the cut and fill method. This demonstrates a 20% larger Ore Reserve than that previously stated with the same combined zinc and lead grade.

Production profile

Cut and fill stoping will commence in H2 2022, with approximately 90% of ore being extracted using this method by 2024.

Post the installation and Q1 2020 commissioning of the tertiary crusher, the Sasa processing plant now has an increased annual throughput capacity up to 850,000 tonnes. Once the Svinja Reka operations have fully transitioned to cut and fill stoping, an underground production rate of 900,000 tonnes should be achieved from 2024. Production guidance should be maintained at current levels throughout the construction period, and should increase towards 900,000 tonnes during the ramp-up period and thereafter.

In order to increase plant throughput to 900,000 tonnes, modifications will be made to the processing facilities. Specific options are still being considered, with a likely approach being to add another smaller mill as well as additional flotation capacity.

Operating and capital costs

It is expected that operating costs will increase, primarily as a result of the paste component of the operation, involving thickening of tailings, creation of paste and reticulation of the backfill product into the mined stopes. Once the ramp-up period commences in 2023, total site-based costs on a per tonne basis are likely to be in the order of 5% higher than that achieved in 2019.

In 2021 and 2022, project capital expenditure required to transition the mine is expected to be \$18 to \$19 million, with \$5 million required during 2021. Expenditure will be predominantly on the following three components:

- Paste plant and associated reticulation – approximately \$13 million
- Decline development (if approved) – approximately \$2.5 million
- Dry stack tailings related expenditure – approximately \$3 million

Annual sustaining capex going forward, including capital development, is expected to remain between \$8 and \$10 million. Capital costs required to increase processing plant capacity in 2023 and 2024 is expected to be within the sustaining capex range.

Kounrad

CAML is pleased to report a period of strong operational performance at Kounrad, with copper cathode production of 6,607 tonnes for the first six months of 2019 (H1 2019: 6,594 tonnes). The Company is on course to achieve its full year 2020 copper production guidance of between 12,500 tonnes and 13,500 tonnes.

Copper sales during H1 2020 were 6,600 tonnes (H1 2019: 6,461 tonnes), with the majority of the cathode sold to CAML's offtake partner, Traxys. The quality of cathode produced remains excellent, at a purity level of 99.998%, and continues to meet the requirements of the customers.

During the period, irrigation rates to the dumps were closely controlled and kept below the limit of three litres per square metre per hour. This application rate has been demonstrated to result in optimum leaching rates of the dump materials.

During Q2 2020, 1,567 replacement new anodes (equivalent to 70% of total cell inventory in EW1) were installed, with the remaining balance of around 600 anode plates scheduled to be replaced in Q4 2020.

Work continued with the high-density polyethylene lining of the excavated interceptor trench which has been extended north around Dump 21. A total of 920 metres of the trench were lined in H1 2020, equating to 95% of the complete length.

Kounrad's EP2 mixer-settler unit, used in the solvent extraction part of the process, was taken off-line to undertake renewal of the acid resistant fibreglass reinforced plastic linings. The work was completed without disruption to production by the end of H1 2020.

Preparation of the leaching blocks for winter operations commenced in Q2 2020 with around 15% of the blocks completed by the end of H1 2020, in line with expectations.

Financial Review

Overview

CAML is pleased to report a strong set of financial results, which demonstrate consistent operational performance and effective cost control. However, the results reflect a period of weak commodity prices due to the COVID-19 pandemic, with gross revenue and EBITDA lower than the previous corresponding period.

The Group generated H1 2020 EBITDA of \$42.5 million (H1 2019: \$56.7 million), representing a decrease of 25% from the prior corresponding period due to the decline in commodity prices and an increase in treatment charges. The EBITDA margin however remained strong at 56% (H1 2019: 63%), given the global conditions, which reflects the Group's ability to maintain low costs across the operations.

Earnings per share ('EPS') from continuing operations was 10.35 cents (H1 2019: 15.42 cents).

CAML generated \$21.1 million (H1 2019: \$35.5 million) of free cash flow. The Group has continued to deleverage, having repaid debt of \$19.2 million during the period ending June 2020. In addition, overdraft facilities of \$9.1 million (H1 2019: nil) were drawn down during the period resulting in net debt of \$58.8 million (2019: \$80.2 million).

Sasa's H1 2020 EBITDA was \$19.5 million (H1 2019: \$31.7 million), with a margin of 51% (H1 2019: 63%). Whilst sales volumes for both zinc and lead were higher during H1 2020 compared to H1 2019, zinc and lead prices declined during H1 2020 and treatment charges increased. Continued cost control has ensured that the mine continues to operate at approximately the 25th percentile of global producers on a C1 zinc equivalent cash cost basis.

Kounrad's EBITDA was \$27.1 million (H1 2019: \$28.7 million). At 73% (H1 2019: 72%), the EBITDA margin increased period on period despite the decline in copper price, due to effective cost control and a weakening of the local currency during the period. This enabled the operation to continue producing copper at costs well within the lowest industry quartile.

Income statement

Group profit before tax from continuing operations decreased by 32% to \$24.3 million (H1 2019: \$35.5 million). This was primarily as a result of reduced revenue due to falling commodity prices as low costs of production were maintained.

Revenue

CAML generated H1 2020 gross revenue of \$75.4 million (H1 2019: \$89.9 million), which is reported after deduction of treatment charges, but before deductions which include offtake buyer's fees and silver purchases for the silver stream. Net revenue after these deductions was \$70.8 million (H1 2019: \$85.6 million).

Sasa

Operationally, Sasa performed strongly with a total of 10,273 tonnes (H1 2019: 9,708 tonnes) of payable zinc in concentrate and 14,445 tonnes (H1 2019: 13,731 tonnes) of payable lead in concentrate sold during H1 2020.

The zinc price achieved declined by 27% to an average of \$1,964 per tonne (H1 2019: \$2,676 per tonne) and, for lead, the price declined by 13% to an average of \$1,676 per tonne (H1 2019: \$1,930 per tonne), leading to a reduction in gross revenue generated from the mine. Revenue also declined due to higher global treatment charges during the period of \$9.9 million (H1 2019: \$6.2 million). Sasa generated H1 2020 gross revenue of \$38.4 million (H1 2019: \$49.9 million). During H1 2020 the offtake buyer's fee for Sasa was \$0.5 million (H1 2019: \$0.6 million).

Zinc and lead concentrate sales agreements have been arranged with Traxys through to 31 December 2022 for 100% of Sasa production. Two smelters in China were identified to diversify CAML's customer base and 3,261 dry tonnes of lead concentrate were shipped to them during H1 2020. Contracts are now in place with these customers for approximately 15% of Sasa's 2020 lead product. Through these lead concentrate sales, Sasa is benefitting from reduced treatment charges that have resulted from global COVID-19 related supply disruptions.

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 6,542 tonnes (H1 2019: 6,125 tonnes) of copper cathode from Kounrad were sold as part of the Company's offtake arrangement 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 58 tonnes (H1 2019: 336 tonnes) were sold locally. Total Kounrad copper sales were 6,600 tonnes (H1 2019: 6,461 tonnes).

While copper cathode sales volumes increased when compared to H1 2019, revenue declined due to an 9% decrease in the average copper price received, which was \$5,605 per tonne in H1 2020 (H1 2019: \$6,191 per tonne). This generated gross revenue for Kounrad of \$37.0 million (H1 2019: \$39.9 million). During H1 2020, the offtaker's fee for Kounrad was \$1.2 million (H1 2019: \$1.1 million).

Cost of sales

Group cost of sales for the period was \$34.7 million (H1 2019: \$36.0 million). This includes depreciation and amortisation charges during the period of \$14.4 million (H1 2019: \$15.3 million).

Sasa

Sasa's cost of sales for the period was lower than the previous corresponding period at \$25.1 million (H1 2019: \$25.4 million). These costs reflect lower concession fees amounting to \$1.1 million (H1 2019: \$1.3 million). This tax is calculated at the rate of 2% on the value of metal recovered during the period and a reduction resulted from the lower average zinc and lead prices during the period. During H1 2020, the North Macedonian Denar, which is pegged to the Euro, averaged 55.71 against the US Dollar (H1 2019: 54.43) resulting in some savings to the cost base.

Kounrad

Kounrad's H1 2020 cost of sales was \$9.6 million (H1 2019: \$10.6 million) which is lower than H1 2019. This decrease was partly due to a reduction in mineral extraction tax paid ('MET'). MET is charged by the Kazakhstan authorities at the rate of 5.7% (H1 2019: 5.7%) on the value of metal recovered during the period. MET for the period was \$2.1 million (H1 2019: \$2.3 million) and a reduction resulted from the lower average copper price during the period.

During the period, the Kazakhstan Tenge depreciated against the US Dollar. The average exchange rate for the period was 404 KZT/USD (H1 2019: 379 KZT/USD), with the Kazakhstan Tenge being worth on average 6% less in US Dollar terms in H1 2020 compared to H1 2019. This resulted in a benefit for the cost base,

including lower depreciation and amortisation charges during the period of \$2.0 million (H1 2019: \$2.6 million).

C1 cash cost of production

C1 cash cost of production is a standard metric used in the mining industry to allow comparison across the sector. In line with the Wood Mackenzie approach, CAML calculates C1 cash cost by including all direct costs of production at Kounrad and Sasa (reagents, power, production labour and materials, as well as realisation charges such as freight and treatment charges) in addition to local administrative expenses. Royalties, depreciation and amortisation charges are excluded from C1 cash cost.

	H1 2020	H1 2019
Sasa zinc equivalent C1 cash cost (\$/lb)	0.43	0.47
Kounrad copper C1 cash cost (\$/lb)	0.48	0.51
Cu equivalent production (t)	14,683	15,072
Group Cu equivalent C1 cost (\$/lb)	1.03	0.90
Fully inclusive Cu equivalent cost of production (\$/lb)	1.46	1.44

Sasa

Sasa's C1 zinc equivalent cash cost of production for H1 2020 was \$0.43 per pound (H1 2019: \$0.47 per pound). The reason for the \$0.04 per pound decrease was primarily due to the increased production volumes and a lower proportion of pro-rata zinc costing resulting from the zinc equivalent calculation due to the decline in zinc revenue versus lead in H1 2020 compared to H1 2019. This decrease in C1 zinc equivalent cash cost resulted despite an increase in zinc treatment charges for H1 2020. The on-site costs, which CAML can control, amounted to \$35.5 per tonne (H1 2019: \$36.4 per tonne) demonstrating continued cost control. The comparative period H1 2019 on-site costs have been updated from \$35.4 per tonne to \$36.4 per tonne to include Sasa related costs incurred by other Group entities.

Kounrad

Kounrad's C1 cash cost of production remains firmly in the lowest quartile of the copper industry cost curve at \$0.48 per pound (H1 2019: \$0.51 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 H1 2020 C1 copper equivalent cash cost was \$1.03 per pound (H1 2019: \$0.90 per pound). This number is calculated based on Sasa's H1 2020 zinc and lead payable production, which equates to 8,076 copper equivalent tonnes (H1 2019: 8,478 copper equivalent tonnes) added to Kounrad's H1 2020 copper production of 6,607 tonnes (H1 2019: 6,594 tonnes).

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

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 Kounrad and Sasa projects. The Group's fully inclusive copper equivalent unit cost for the period increased to \$1.46 per pound (H1 2019: \$1.44 per pound). The small increase of \$0.02 per pound reflects the higher Group C1 cash cost as explained

above, however the impact of this increase was countered by lower MET, concession fees, finance costs and capital expenditure.

Administrative expenses

During the period, administrative expenses were lower at \$7.1 million (H1 2019: \$7.3 million), largely due to a reduced share-based payment charge of \$0.3 million (H1 2019: \$0.5 million). As there was no 2019 final dividend, no additional dividend entitlement options vested during H1 2020. In addition, no share options were awarded to staff during H1 2020.

Finance costs

The Group incurred lower finance costs of \$3.5 million (H1 2019: \$6.2 million) given the reducing debt balance and reduced interest rate.

Discontinued operations

The Group continues to report the results of the 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. Shuak BV was dissolved in April 2020.

Balance sheet

During the period, there were additions to property, plant and equipment of \$4.7 million (H1 2019: \$5.2 million). The additions were a combination of \$0.6 million (H1 2019: \$0.6 million) Kounrad sustaining capital expenditure and \$4.1 million (H1 2019: \$2.7 million) Sasa sustaining capital expenditure. Sasa's TSF4 construction was completed in 2019 and therefore no construction costs were incurred during H1 2020 (H1 2019: \$1.1 million).

During 2019, a full audit of Sasa's underground mobile fleet was undertaken and a decision was made 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 additional units will also be purchased each year in 2021, 2022 and 2023. During H1 2020, orders were placed for the six new pieces of Epiroc underground equipment and, during the period, four of the six machines (three loaders and a boomer drill rig) arrived at site. A second boomer and a truck are due to be delivered to Sasa in Q3 2020.

As at 30 June 2020, current trade and other receivables were \$8.1 million (31 December 2019: \$6.3 million), which includes trade receivables from the offtake sales of \$2.7 million and (31 December 2019: \$1.5 million) and \$2.5 million in relation to prepayments and accrued income (31 December 2019: \$2.2 million).

Non-current trade and other receivables were \$3.3 million (31 December 2019: \$3.4 million). As at 30 June 2020, a total of \$3.2 million (31 December 2019: \$3.1 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.

As at 30 June 2020, current trade and other payables were \$8.2 million (31 December 2019: \$12.3 million). The reduction from 31 December 2019 reflects the inclusion of accruals for year-end related expenditure including annual staff bonuses as at 31 December 2019.

As at 30 June 2020, non-current and current borrowings were \$50.6 million (31 December 2019: \$69.5 million) and \$48.4 million respectively (31 December 2019: \$39.3 million). The reduction of \$9.8 million

reflects debt repaid during the period of \$19.2 million, drawdowns on overdrafts of \$9.1 million and finance charges of \$0.3 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 4.00% with effect from 27 March 2020 (previously LIBOR plus 4.75%). 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.

The \$5.0 million overdraft facility previously agreed with Komercijalna Banka AD Skopje with a fixed interest rate of 3.8% denominated in Macedonian Denar has been extended with the fixed interest rate reduced to 2.4% to 2.5% dependent on conditions. In June 2020, a new \$5.0 million overdraft facility was agreed with Ohridska Banka A.D. Skopje with a fixed interest rate of 2.5% denominated in Macedonian Denar. These funds have been fully drawn and provide the Group with additional financial flexibility.

As of 30 June 2020, the Group had cash in the bank of \$44.0 million and gross debt of \$99.0 million. Gross debt comprises \$89.0 million in corporate debt through Traxys Europe S.A. and the \$10.0 million of North Macedonian overdraft facilities.

During 2018, CMK Europe Limited ('CMK Europe'), paid \$5.9 million of withholding tax liability to the Public Revenue Office ('PRO') in North Macedonia. The liability related to the activities of CMK Europe prior to CAML's ownership. In June 2020, CMK Europe, received a judgement from the Higher Administrative Court of North Macedonia accepting its appeal and overturning the PRO ruling. The Court judgement instructed the PRO to repeat the withholding tax inspection for the period 2015 to 2017 taking into consideration the findings of the Court judgement. Management believes that a favourable outcome is probable, however, the contingent asset has not been recognised as a receivable at 30 June 2020 as receipt of the amount is dependent on the outcome of the reinspection.

Cash flows

The operational performance of both Kounrad and Sasa and the associated low costs of production resulted in strong cash flows for the Group in the context of the H1 2020 global health, economic and metal price challenges. Net cash flow generated from operations of \$25.8 million (H1 2019: \$40.0 million).

During the period, debt repayments of \$19.2 million were made (H1 2019: \$19.2 million), plus interest paid totalling \$2.9 million (H1 2019: \$5.2 million). Drawdowns on overdrafts during the period were \$9.1 million (H1 2019: nil).

Taking into account capital expenditure, CAML's free cash flow for H1 2020 was \$21.1 million. (H1 2019: \$35.5 million).

\$0.6 million (H1 2019: \$2.0 million) of North Macedonia corporate income tax was paid in cash during the period in addition to a \$2.3 million (H1 2019: \$2.1 million) non-cash payment against VAT and corporate income tax receivable. \$5.0 million (H1 2019: \$6.8 million) of Kazakhstan corporate income tax was paid during the period.

Dividend

The CAML Board of Directors has decided to defer a decision regarding the CAML interim dividend pending clarity on the timing and likely financial impact of the TSF4 leakage.

Going concern

The Group meets its day to day working capital 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 30 June 2020.

The prices of copper, zinc and lead have been impacted in H1 2020 by concerns over global demand due to the outbreak of the COVID-19 pandemic although commodity prices have improved post period end.

During H1 2020, both the Kounrad facility in Kazakhstan and the Sasa mine in North Macedonia continued to operate with no disruptions to production or sales due to COVID-19. The Company has put in place many measures during H1 2020 to try to ensure the safety of its employees and contractors on both sites. Along with many other countries, the governments of Kazakhstan and North Macedonia had have begun to ease lockdown restrictions on the movement of people, business operations and socialising.

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 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. Management have performed reverse stress testing sensitivities to determine when profitability, liquidity or covenants break.

The likelihood of the stress test scenarios occurring is considered to be remote and therefore no material uncertainty is considered to exist, and the Directors have a reasonable expectation that the Group has existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the consolidated financial information.

On 14 September 2020, there was a short-term leakage of tailings from Sasa's TSF4 into the local river and as a result the processing plant is not currently operational. The expected impact of this incident is comfortably within the sensitivity parameters applied when undertaking going concern analysis.

Further information on these forecasts and the stress tests performed is included in note 3 of the financial information.

Non-IFRS financial measures

The Group uses alternative performance measures, which are not defined by generally accepted accounting principles ('GAAP') such as IFRS, as additional performance measures. These measures are used by management, alongside the comparable GAAP measures, in evaluating the business performance. The measures are not intended as a substitute for GAAP measures and may not be comparable to similarly reported measures by other companies. 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:

	Six months ended	
	30-Jun-20	30-Jun-19
	\$'000	\$'000
Profit for the period	18,304	27,558
Plus/(less):		
Income tax expense	6,065	8,202
Depreciation and amortisation	14,650	15,320
Foreign exchange loss	370	12
Other income	(299)	(151)
Finance income	(83)	(159)
Finance costs	3,472	6,208
Profit from discontinued operations	(23)	(272)
EBITDA	42,456	56,718

Gross revenue

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

Net debt

Net debt is a measure used by the Board for the purposes of capital management and 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 period. This balance does not include the restricted cash balance of \$3.7 million (2019: \$4.0 million):

	30-Jun- 20	31-Dec-19
	\$'000	\$'000
Borrowings	99,045	108,768
Cash and cash equivalents	(40,258)	(28,566)
Net debt	58,787	80,202

Free cash flow

Free cash flow is a non-IFRS financial measure of the cash from operations less capital expenditure on property, plant and equipment and intangible assets and is presented as follows:

	Six months ended	
	30-Jun-20	30-Jun-19
	\$'000	\$'000
Net cash generated from operating activities	25,787	39,955
Less: Purchase of property, plant and equipment	(4,622)	(4,437)
Less: Purchase of intangible assets	-	(18)
Free cash flow	21,125	35,500

Directors' Responsibility Statement

The Directors confirm that, to the best of their knowledge, the interim financial information has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union and the AIM Rules for Companies, and that the interim results include a fair review of the information required.

On behalf of the Board

Gavin Ferrar
Chief Financial Officer
15 September 2020

INDEPENDENT REVIEW REPORT TO CENTRAL ASIA METALS PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprise:

- the condensed consolidated interim statement of financial position as at 30 June 2020;
- the condensed consolidated interim income statement and condensed consolidated interim statement of comprehensive income for the period then ended;
- the condensed consolidated interim statement of changes in equity;
- the condensed consolidated interim statement of cash flows;
- notes to the consolidated interim financial information.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP
Chartered Accountants
London
15 September 2020

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

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT (unaudited)
for the six months period ended 30 June 2020

	Note	Six months ended	
		30-Jun-20 \$'000	30-Jun-19 \$'000
Continuing operations			
Revenue		70,807	85,564
Presented as:			
Gross revenue		75,416	89,881
Less:			
Silver stream purchases		(2,949)	(2,632)
Offtake buyers' fees		(1,660)	(1,685)
Revenue		70,807	85,564
Cost of sales		(34,656)	(36,028)
Distribution and selling costs		(1,237)	(882)
Gross profit		34,914	48,654
Administrative expenses		(7,108)	(7,256)
Other income (net of other expenses)		299	151
Foreign exchange loss		(370)	(12)
Operating profit		27,735	41,537
Finance income		83	159
Finance costs		(3,472)	(6,208)
Profit before income tax		24,346	35,488
Income tax	6	(6,065)	(8,202)
Profit for the period from continuing operations		18,281	27,286
Discontinued operations			
Profit for the period from discontinued operations		23	272
Profit for the period		18,304	27,558
Profit attributable to:			
- Non-controlling interests		8	66
- Owners of the parent		18,296	27,492
		18,304	27,558
Earnings per share from continuing and discontinued operations attributable to owners of the parent during the period (expressed in cents per share)			
		\$	\$
		cents	cents
Basic earnings per share			
From continuing operations	7	10.35	15.42
From discontinued operations		0.01	0.15
From profit for the period		10.36	15.57
Diluted earnings per share			
From continuing operations	7	10.09	15.00
From discontinued operations		0.01	0.15
From profit for the period		10.10	15.15

Total distribution and selling costs in the comparative period previously recognised as a deduction from gross revenue have been reclassified below revenue for comparability.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (unaudited)
for the six months period ended 30 June 2020

	Six months ended	
	30-Jun-20 \$'000	30-Jun-19 \$'000
Profit for the period	18,304	27,558
Other comprehensive expense:		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	(483)	(2,903)
Other comprehensive expense for the period, net of tax	(483)	(2,903)
Total comprehensive income for the period	17,821	24,655
Attributable to:		
- Non-controlling interests	8	66
- Owners of the parents	17,813	24,589
Total comprehensive income for the period	17,821	24,655
Total comprehensive income/(expense) attributable to equity shareholders arises from:		
- Continuing operations	17,798	24,383
- Discontinued operations	23	272
	17,821	24,655

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (unaudited)
as at 30 June 2020

		Unaudited	Audited
		30-Jun-20	31-Dec-19
	Note	\$'000	\$'000
Assets			
Non-current assets			
Property, plant and equipment	8	397,844	406,387
Intangible assets	9	56,995	58,676
Deferred income tax asset	13	275	266
Other non-current receivables	11	3,303	3,389
		458,417	468,718
Current assets			
Inventories	10	6,725	7,283
Trade and other receivables	11	8,078	6,276
Restricted cash		3,708	4,013
Cash and cash equivalents		40,258	28,566
		58,769	46,138
Assets of the disposal group classified as held for sale		32	219
		58,801	46,357
Total assets		517,218	515,075
Equity attributable to owners of the parent			
Ordinary shares		1,765	1,765
Share premium		191,184	191,184
Treasury shares		(4,925)	(6,526)
Currency translation reserve		(100,956)	(100,473)
Retained earnings		267,307	250,480
		354,375	336,430
Non-controlling interests		(1,327)	(1,324)
Total equity		353,048	335,106
Liabilities			
Non-current liabilities			
Borrowings	14	50,645	69,473
Silver streaming commitment		20,038	20,755
Deferred income tax liability	13	25,050	26,089
Lease liability		640	748
Provision for other liabilities and charges		9,403	9,027
		105,776	126,092
Current liabilities			
Borrowings	14	48,400	39,295
Silver streaming commitment		1,718	2,140
Trade and other payables	12	8,227	12,305
Provisions for other liabilities and charges		32	46
		58,377	53,786
Liabilities of disposal group classified as held for sale		17	91
		58,394	53,877
Total liabilities		164,170	179,969
Total equity and liabilities		517,218	515,075

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (unaudited)
for the six months period ended 30 June 2020

	Ordinary shares	Share premium	Treasury shares	Currency translation reserve	Retained earnings	Total	Non- controlling interest	Total equity
Attributable to owners of the parent	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2020	1,765	191,184	(6,526)	(100,473)	250,480	336,430	(1,324)	335,106
Profit for the period	-	-	-	-	18,296	18,296	8	18,304
Other comprehensive expense – currency translation differences	-	-	-	(483)	-	(483)	-	(483)
Total comprehensive income/(expense)	-	-	-	(483)	18,296	17,813	8	17,821
Transactions with owners								
Share based payments	-	-	-	-	275	275	-	275
Exercise of options	-	-	1,601	-	(1,622)	(21)	-	(21)
Disposal of subsidiaries	-	-	-	-	(122)	(122)	(11)	(133)
Total transactions with owners, recognised directly in equity	-	-	1,601	-	(1,469)	132	(11)	121
Balance as at 30 June 2020	1,765	191,184	(4,925)	(100,956)	267,307	354,375	(1,327)	353,048

	Ordinary shares	Share premium	Treasury shares	Currency translation reserve	Retained earnings	Total	Non- controlling interest	Total equity
Attributable to owners of the parent	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2019	1,765	191,184	(6,526)	(89,454)	230,281	327,250	(1,384)	325,866
Profit for the period	-	-	-	-	27,492	27,492	66	27,558
Other comprehensive expense – currency translation differences	-	-	-	(2,903)	-	(2,903)	-	(2,903)
Total comprehensive income/(expense)	-	-	-	(2,903)	27,492	24,589	66	24,655
Transactions with owners								
Share based payments	-	-	-	-	529	529	-	529
Exercise of options	-	-	-	-	(536)	(536)	-	(536)
Dividends	-	-	-	-	(18,164)	(18,164)	-	(18,164)
Total transactions with owners, recognised directly in equity	-	-	-	-	(18,171)	(18,171)	-	(18,171)
Balance as at 30 June 2019	1,765	191,184	(6,526)	(92,357)	239,602	333,668	(1,318)	332,350

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (unaudited)
for the six months period ended 30 June 2020

	Note	Six months ended	
		30-Jun-20	30-Jun-19
		\$'000	\$'000
Cash flows from operating activities			
Cash generated from operations	15	34,346	56,095
Interest paid		(2,932)	(5,243)
Corporate income tax paid		(5,627)	(10,897)
Net cash flow generated from operating activities		25,787	39,955
Cash flows from investing activities			
Purchases of property, plant and equipment	8	(4,622)	(4,437)
Proceeds from sale of property, plant and equipment		300	1
Deferred consideration paid		-	(6,500)
Purchase of intangible assets		-	(18)
Interest received		83	159
Decrease in restricted cash		305	170
Net cash used in investing activities		(3,934)	(10,625)
Cash flows from financing activities			
Proceeds from borrowings	14	9,105	-
Repayment of borrowings	14	(19,200)	(19,200)
Dividend paid to owners of the parent		-	(18,164)
Receipt/(settlement) on exercise of share options		6	(536)
Net cash used in financing activity		(10,089)	(37,900)
Effect of foreign exchange losses on cash and cash equivalents		(148)	(68)
Net increase/(decrease) in cash and cash equivalents		11,616	(8,638)
Cash and cash equivalents at 1 January		28,672	34,707
Cash and cash equivalents at 30 June		40,288	26,069

Cash and cash equivalents at 30 June 2020 includes cash at bank on hand included in assets held for sale of \$30,000 (30 June 2019: \$71,000). The consolidated statement of cash flows does not include the restricted cash balance of \$3,708,000 (30 June 2019: \$4,206,000).

The brought forward cash and cash equivalents as at 1 January 2020 has been reclassified to exclude the overdrafts drawdown of \$895,000. The overdrafts arrangement are not repayable on demand and therefore represents a form of financing and not a component of cash and cash equivalents.

1. General information

Central Asia Metals plc ('CAML' or the 'Company') and its subsidiaries (the 'Group') are a mining organisation with operations in Kazakhstan and North Macedonia and a parent holding company based in England 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 a 75% equity interest in Copper Bay Limited which is currently held for sale.

In February 2020, the Group reduced its effective interest in Ken Shuak LLP from 80% to 10% and in April 2020 liquidated Shuak BV. The Group will not be required to contribute towards future costs of the Shuak project. In February 2020, the Group liquidated CMK Resources Limited, a wholly owned subsidiary.

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.

The condensed consolidated interim financial information incorporates the results of Central Asia Metals plc and its subsidiary undertakings as at 30 June 2020 and was approved by the Directors for issue on 15 September 2020. The condensed consolidated financial statements are unaudited and do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The information for the year ended 31 December 2019 included in this report was derived from the statutory accounts for that year, which were prepared in accordance with International Financial Reporting Standards ('IFRSs') issued by the International Accounting Standards Board ('IASB') and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') of the IASB, as adopted by the EU up to 31 December 2019, a copy of which has been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, but contained a Material Uncertainty in relation to going concern arising from the COVID-19 pandemic and did not contain a statement under 498(2) 498(3) of the Companies Act 2006.

This condensed consolidated interim financial information has been reviewed, not audited.

2. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Report Standards ('IFRS') as adopted by the European Union.

Principal risks and uncertainties

In preparing the condensed consolidated interim financial information management is required to consider the principal risks and uncertainties facing the Group.

In management's opinion the principal risks and uncertainties facing the Group are unchanged since the preparation of the consolidated financial statements for the year ended 31 December 2019, although the funding risks associated with COVID-19 are considered to have reduced based on commodity markets now being able to price in risks more effectively, the additional overdraft facilities drawn by the Group and the experience gained whilst operating effectively through the pandemic to date. Those risks and uncertainties, together with management's response to them are described in the Principal Risks and Uncertainties section of the 2019 Annual Report and Accounts.

During the first half of 2020, the COVID-19 pandemic has significantly impacted global markets. COVID-19 has not resulted in any material disruption to the Group's operations. The Group has put in place many measures during H1 2020 to mitigate the associated risks and to try to ensure the health and wellbeing of its employees and contractors on both sites. These measures include a cessation of all but necessary visitors to site, changes made to operations to increase social distancing, increased hygiene measures and self-isolation for employees with COVID-19 symptoms.

The 2019 Annual Report and Accounts indicated that a material uncertainty existed that may cast doubt on the Group's ability to continue as a going concern. During the period ended 30 June 2020, no such material uncertainty is considered to exist. Further information on the going concern assessment is included in note 3 of the financial information.

3. Accounting policies

The accounting policies, methods of computation and presentation used in the preparation of the condensed consolidated interim financial information are the same as those used in the Group's audited financial statements for the year ended 31 December 2019.

Going concern

The Group meets its day to day working capital 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 30 June 2020.

The prices of copper, zinc and lead have been impacted in H1 2020 by concerns over global demand due to the outbreak of the COVID-19 pandemic although commodity prices have improved post period end.

During H1 2020, both the Kounrad facility in Kazakhstan and the Sasa mine in North Macedonia continued to operate with no disruptions to production or sales due to COVID-19. The Company has put in place many measures during H1 2020 to try to ensure the safety of its employees and contractors on both sites. Along with many other countries, the governments of Kazakhstan and North Macedonia had begun to ease lockdown restrictions on the movement of people, business operations and socialising.

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 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. Management have performed reverse stress testing sensitivities to determine when profitability, liquidity or covenants break.

The likelihood of the stress test scenarios occurring is considered to be remote and therefore no material uncertainty is considered to exist, and the Directors have a reasonable expectation that the Group has existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the consolidated financial information.

On 14 September there was a short-term leakage of tailings from Sasa's TSF4 into the local river and as a result the processing plant is not currently operational. The Company has engaged all advisers and consultants involved in the construction of the Facility, together with its own management to ensure that the Company mitigates any financial loss and any environmental and local community impact. The Company is confident that it has complied with all construction and licence regulations in the construction of the Facility. There has been no report of any health and safety issues and nor is there likely to be. The expected impact of this incident is comfortably within the sensitivity parameters applied when undertaking going concern analysis.

In forming this assessment, management note the following:

- Until the TSF4 leakage on 14 September, the operations have maintained production throughout the period with no significant disruption to supply chain or offtake. Whilst a number of COVID-19 cases arose at both Kounrad and Sasa the Company's protocols were implemented and production was sustained whilst ensuring the health of the workforce.
- There is now greater clarity regarding the response of governments to COVID-19 and the risk of protracted lockdowns suspending mining and processing operations in a broad-based manner is considered low.
- Whilst the risk of localised outbreaks of COVID-19 remains that may cause operational stoppages to safeguard safety, it is considered highly unlikely such a scenario would involve both operations simultaneously for two months or an individual operation for the extended periods to create a liquidity or covenant issue.
- With regards to the TSF4 leakage, based on the initial information available from early investigations, the Board consider that it is reasonable that the Facility can be secured and an extended shutdown of the processing plant is unlikely.

Taxation

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

Changes in accounting policies

The definition of material has been amended for IAS 1 and IAS 8 to align the definition across standards and is effective 1 January 2020. The new definition clarifies the definition of material whereby if omitting, misstating or obscuring it could reasonably be expected to influence decisions of the primary users of financial statements. The amendments to the definition of material will not have a significant impact on the financial statements.

The definition of a business per IFRS 3 has also been amended to determine when an entity acquires a business or a group of assets. This amendment is effective from 1 January 2020 and will therefore affect all future business combinations however there is no impact on the current reporting period.

4. Critical accounting judgements and estimates

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these judgements and estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty

were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019 which can be obtained from www.centralasiametals.com.

5. Segmental information

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.

The segment results for the six months ended 30 June 2020 are as follows:

	Unaudited			
	Kounrad	Sasa	Unallocated	Total
	\$'000	\$'000	\$'000	\$'000
Gross revenue	36,976	38,440	-	75,416
Silver stream purchases	-	(2,949)	-	(2,949)
Offtake buyers' fees	(1,210)	(450)	-	(1,660)
Revenue	35,766	35,041	-	70,807
EBITDA	27,092	19,501	(4,137)	42,456
Depreciation and amortisation	(2,045)	(12,487)	(118)	(14,650)
Foreign exchange gain/(loss)	80	(434)	(16)	(370)
Other income/(expense)	103	290	(94)	299
Finance income	6	-	77	83
Finance costs	(83)	(158)	(3,231)	(3,472)
Profit/(loss) before income tax	25,153	6,712	(7,519)	24,346
Income tax				(6,065)
Profit for the period after taxation from continuing operations				18,281
Profit from discontinued operations				23
Profit for the period				18,304

Depreciation and amortisation includes amortisation on the fair value uplift on acquisition of Sasa and Kounrad of \$6,132,000.

The segment results for the six months ended 30 June 2019 are as follows:

	Unaudited			Total
	Kounrad	Sasa	Unallocated	
	\$'000	\$'000	\$'000	\$'000
Gross revenue	39,949	49,932	-	89,881
Silver purchases for silver stream	-	(2,632)	-	(2,632)
Offtake buyers' fees	(1,133)	(552)	-	(1,685)
Revenue	38,816	46,748	-	85,564
EBITDA	28,745	31,656	(3,683)	56,718
Depreciation and amortisation	(2,718)	(12,482)	(120)	(15,320)
Foreign exchange rate (loss)/gain	(89)	63	14	(12)
Other income	65	32	54	151
Finance income	5	1	153	159
Finance costs	(54)	(320)	(5,834)	(6,208)
Profit/(loss) before income tax	25,954	18,950	(9,416)	35,488
Income tax				(8,202)
Profit for the period after taxation from continuing operations				27,286
Profit from discontinued operations				272
Profit for the period				27,558

Depreciation and amortisation includes amortisation on the fair value uplift on acquisition of Sasa and Kounrad of \$6,329,000.

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

Group segmental assets and liabilities as at the 30 June 2020 are as follows:

	Segmental Assets		Non-current Asset additions		Segmental Liabilities	
	30-Jun-20	31-Dec-19	30-Jun-20	30-Jun-19	30-Jun-20	31-Dec-19
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Kounrad	73,830	76,118	721	642	(10,355)	(11,017)
Sasa	407,668	411,899	3,997	3,806	(62,297)	(55,269)
Assets held for sale	32	219	-	-	(17)	(91)
Unallocated including corporate	35,688	26,839	1	778	(91,501)	(113,592)
Total	517,218	515,075	4,719	5,226	(164,170)	(179,969)

6. Income tax

	Six months ended	
	30-Jun-20	30-Jun-19
	\$'000	\$'000
Current tax on profits for the period	6,823	8,493
Deferred tax credit (note 13)	(758)	(291)
Income tax expense	6,065	8,202

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

Corporate income tax is calculated at 19% (H1 2019: 19%) of the assessable profit for the period for the UK parent company, 20% for the operating subsidiaries in Kazakhstan (H1 2019: 20%) and 10% (H1 2019: 10%) for the operating subsidiaries in North Macedonia.

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

7. Earnings 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 period excluding ordinary shares purchased by the Company and held as treasury shares.

	Six months ended	
	30-Jun-20	30-Jun-19
	\$'000	\$'000
Profit from continuing operations attributable to owners of the parent	18,273	27,220
Profit from discontinued operations attributable to owners of the parent	23	272
Total	18,296	27,492
Weighted average number of ordinary shares in issue	176,498,266	176,498,266
Earnings per share from continuing and discontinued operations attributable to owners of the parent during the period (expressed in \$ cents per share)	\$ cents	\$ cents
From continuing operations	10.35	15.42
From discontinued operations	0.01	0.15
From profit for the period	10.36	15.57

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.

	Six months ended	
	30-Jun-20 \$'000	30-Jun-19 \$'000
Profit from continuing operations attributable to owners of the parent	18,273	27,220
Profit from discontinued operations attributable to owners of the parent	23	272
Total	18,296	27,492
Weighted average number of ordinary shares in issue	176,498,266	176,498,266
Adjusted for:		
- Share Options	4,523,208	4,943,720
Weighted average number of ordinary shares for diluted earnings per share	181,021,474	181,441,986
Diluted earnings per share	\$ cents	\$ cents
From continuing operations	10.09	15.00
From discontinued operations	0.01	0.15
From profit for the period	10.10	15.15

8. Property, plant and equipment

	Construction in progress	Plant and equipment	Mining assets	Motor vehicles and ROU assets	Land	Mineral rights	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost							
At 1 January 2020	14,373	128,655	1,426	2,985	619	341,801	489,859
Additions	4,626	14	-	79	-	-	4,719
Disposals	(3)	(1,580)	-	(37)	-	-	(1,620)
Change in estimate – asset retirement obligation	-	(83)	-	-	-	-	(83)
Transfers	(14,913)	14,913	-	-	-	-	-
Exchange differences	(173)	(1,513)	(80)	(90)	4	1,400	(452)
At 30 June 2020	3,910	140,406	1,346	2,937	623	343,201	492,423
Accumulated depreciation							
At 1 January 2020	-	42,850	316	1,301	-	39,005	83,472
Provided during the period	-	5,033	59	190	-	8,472	13,754
Disposals	-	(1,579)	-	(37)	-	-	(1,616)
Exchange differences	-	(973)	(16)	(42)	-	-	(1,031)
At 30 June 2020	-	45,331	359	1,412	-	47,477	94,579
Net book value at 30 June 2020	3,910	95,075	987	1,525	623	295,724	397,844

The decrease in estimate in relation to the asset retirement obligation of \$83,000 is due to adjusting the provision recognised at the net present value of future expected costs using latest assumptions on inflation rates and discount rates.

During the period there were total disposals of property, plant and equipment at cost of \$1,620,000 with accumulated depreciation of \$1,616,000. The Group received \$300,000 consideration for these assets and therefore a profit of \$296,000 was recognised in other income.

9. Intangible assets

	Goodwill	Mining licences and permits	Computer software and website	Total
	\$'000	\$'000	\$'000	\$'000
Cost				
At 1 January 2020	30,672	37,494	529	68,695
Exchange differences	(416)	(473)	-	(889)
At 30 June 2020	30,256	37,021	529	67,806
Accumulated amortisation				
At 1 January 2020	-	9,492	527	10,019
Provided during the period	-	935	-	935
Exchange differences	-	(143)	-	(143)
At 30 June 2020	-	10,284	527	10,811
Net book value at 30 June 2020	30,256	26,737	2	56,995

Impairment assessment

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. In light of the current economic environment and with depressed commodity prices the Company has reviewed the recoverable amounts of the two projects as at 30 June 2020.

Kounrad project

The Kounrad project located in Kazakhstan has an associated goodwill balance of \$8,495,000 (31 December 2019: \$8,999,000).

While assessing the project for impairment the key economic assumptions used in the review were a five-year forecast average nominal copper price of \$5,581 per tonne (2019: \$6,372) and a long-term price of \$6,607 per tonne (2019: \$6,595) and a discount rate of 8% (2019: 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 \$21,761,000 (31 December 2019: \$21,673,000). 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.

At 30 June 2020, the Group has tested 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 8.60% (2019: 8.07%) was applied to calculate the present value of the CGU. The increase in the discount rate from the 31 December 2019 was supported by a detailed WACC calculation and due to the increased country risk profile as a result of the recent economic conditions surrounding COVID-19. The key economic assumptions used in the review were a five-year forecast average nominal zinc and lead price of \$2,089 (2019: \$2,220) and \$1,807 (2019: \$1,986) per tonne respectively and a long-term price of \$2,337 (2019: \$2,358) and \$1,936 (2019: \$1,900) per tonne respectively. Zinc and lead treatment charges are forecast to reduce in future periods returning to historic averages by 2022.

Management then performed sensitivity analyses whereby certain parameters were flexed downwards for the CGU to assess whether the recoverable value for the CGU would result in an impairment charge. The following sensitivities when applied in isolation would result in a breakeven position:

- Long-term zinc price reduced by 5%
- Long-term lead price reduced by 3%
- Discount rate increased to 9%
- Production decreased by 2.5%
- Treatment charges increased by 15%
- Operational expenditure increased by 4%
- Capital expenditure increased by 20%

This is a simple sensitivity analysis and does not take into account any of management's mitigation factors should these changes occur. The Board considers the base case forecasts to be appropriate and balanced best estimates.

10. Inventories

	30-Jun-20	31-Dec-19
	\$'000	\$'000
Raw materials	6,276	6,431
Finished goods	449	852
	6,725	7,283

The Group recognise all inventory at the lower of cost and net realisable value and did not have any slow-moving, obsolete or defective inventory as at 30 June 2020 and therefore there were no write-offs to the Income Statement during the period (H1 2019: nil). The total inventory recognised through the Income Statement was \$2,506,000 (H1 2019: \$2,592,000).

11. Trade and other receivables

	30-Jun-20	31-Dec-19
	\$'000	\$'000
Current receivables		
Trade receivables	2,693	1,493
Prepayments	1,045	893
Accrued income	1,444	1,302
VAT receivable	934	1,101
Other receivables	1,962	1,487
	8,078	6,276
Non-current receivables		
Prepayments	314	441
VAT receivable	2,989	2,948
	3,303	3,389

As at 30 June 2020, the total Group VAT receivable was \$3,923,000 (31 December 2019: \$4,049,000) which included an amount of \$3,187,000 (31 December 2019: \$3,086,000) of VAT owed to the Group by the Kazakhstan authorities. During the period ended 30 June 2020, the Kazakhstan authorities refunded \$125,000. The Group is working closely with its advisors to recover the remaining portion. The planned means of recovery will be through a combination of the local sales of copper cathode to offset VAT liabilities and by a continued dialogue with the authorities to receive the remaining portion.

12. Trade and other payables

	30-Jun-20	31-Dec-19
	\$'000	\$'000
Current payables		
Trade and other payables including accruals	7,046	11,035
Corporation tax, social security and other taxes	1,181	1,270
	8,227	12,305

13. Deferred income tax asset and liability

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

	At 1-Jan-20	Currency translation differences	Credit to income statement	At 30-Jun-20
	\$'000	\$'000	\$'000	\$'000
Other timing differences	(190)	17	79	(94)
Deferred tax liability on fair value adjustment on Kounrad transaction	(6,428)	361	144	(5,923)
Deferred tax liability on fair value adjustment on CMK acquisition	(19,205)	(88)	535	(18,758)
Deferred tax liability, net	(25,823)	290	758	(24,775)
Reflected in the statement of financial position as:				
Deferred tax asset	266	(15)	24	275
Deferred tax liability	(26,089)	305	734	(25,050)

A taxable temporary difference arose as a result of the Kounrad Transaction and CMK Group (Sasa) 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 \$679,000 during the period to reflect the tax consequences of depreciating and amortising the recognised fair values of the assets during the period.

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.

14. Borrowings

	30-Jun-20	31-Dec-19
	\$'000	\$'000
<i>Secured: Non-current</i>		
Bank loans	50,645	69,473
<i>Secured: Current</i>		
Bank loans	38,400	38,400
<i>Unsecured: Current</i>		
Bank overdrafts	10,000	895
Total current	48,400	39,295
	99,045	108,768

The carrying value of loans approximates fair value:

	30-Jun-20	31-Dec-19
	\$'000	\$'000
Traxys bank loan	89,045	107,873
Bank overdrafts	10,000	895
	99,045	108,768

The movement on the borrowings can be summarised as follows:

	\$'000
Balance at 1 January 2020	108,768
Repayment of borrowings	(19,200)
Finance charge interest	2,913
Finance charge unwinding of directly attributable fees	372
Interest paid	(2,913)
Overdrafts drawdown	9,105
Balance at 30 June 2020	99,045

During the period, \$19,200,000 of the principal amount of Group debt was repaid as well as a further \$2,856,000 interest. As at 30 June 2020, non-current and current borrowings were \$50,645,000 and \$48,400,000 respectively (31 December 2019: \$69,473,000 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 offtake agreement as well as over the Sasa offtake agreement.

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

The \$5,000,000 overdraft facility previously agreed with Komercijalna Banka AD Skopje with a fixed interest rate of 3.8% denominated in Macedonian Denar previously repayable in July 2020 was extended for a further year to 30 July 2021 with the fixed interest rate reduced to 2.4% to 2.5% dependent on conditions. This overdraft has been fully drawdown as at 30 June 2020 (31 December 2019: \$895,000).

In June 2020 a new one year \$5,000,000 overdraft facility was agreed with Ohridska Banka A.D. Skopje with a fixed interest rate of 2.5% denominated in Macedonian Denar repayable on 26 June 2021. This overdraft was fully drawdown as at 30 June 2020.

15. Cash generated from operations

Adjustments for:	Six months ended	
	30-Jun-20 \$'000	30-Jun-19 \$'000
Profit before income tax including discontinued operations	24,369	35,760
Adjustments for:		
Depreciation and amortisation	14,650	15,320
Silver stream commitment	(1,139)	(1,126)
(Profit)/loss on disposal of property, plant and equipment (note 8)	(296)	132
Foreign exchange loss	370	12
Share based payments	275	529
Finance income	(83)	(159)
Finance costs	3,472	6,208
Changes in working capital:		
Inventories	558	89
Trade and other receivables	(4,008)	1,288
Trade and other payables	(4,208)	(1,912)
Provisions for other liabilities and charges	386	(46)
Cash generated from operations	34,346	56,095

16. Contingent asset

During 2018, CMK Europe SPLLC Skopje ('CMK Europe'), paid \$5.9 million of withholding tax liability to the Public Revenue Office ('PRO') in North Macedonia. The liability related to the activities of CMK Europe prior to CAML's ownership. In June 2020, CMK Europe, received a judgement from the Higher Administrative Court of North Macedonia accepting its appeal. The Court judgement instructed the PRO to repeat the withholding tax inspection for the period 2015 to 2017 taking into consideration the findings of the Court judgement. Management believes that a favourable outcome is probable, however, the contingent asset has not been recognised as a receivable at 30 June 2020 as receipt of the amount is dependent on the outcome of the reinspection.

17. Dividend per share

The CAML Board of Directors has decided to defer a decision regarding the CAML interim dividend pending clarity on the timing and likely financial impact of the TSF4 leakage (H1 2019: 6.5 pence per ordinary share).

18. Related party disclosure

The Kounrad Foundation, a charitable foundation through which Kounrad donates to the community, was advanced \$62,473 (H1 2019: \$184,000). This is a related party by virtue of common directors.

19. Subsequent events

Since the period end, there have been a small number of COVID-19 cases at Sasa and in the local town, Makedonska Kamenica. Production and sales volumes at Sasa have been unaffected. The price of zinc, lead and copper have generally improved post the period end.

On 14 September there was a short-term leakage of tailings from Sasa's TSF4 into the local river. The leakage was stopped soon after. The processing plant is not currently operational as work is required in order to secure the facility before operations can re-commence and therefore the annual production guidance of 23,000 – 25,000 tonnes of zinc and 30,000 – 32,000 tonnes of lead are under review. Based on the initial information available from early investigations, the Board consider that it is reasonable that the Facility can be secured and the likelihood of an extended shutdown of the processing plant is low. The Company has engaged all advisers and consultants involved in the construction of the Facility, together with its own management to ensure that the Company mitigates any financial loss and any environmental and local community impact. The Company is confident that it has complied with all construction and licence regulations in the construction of the Facility. There has been no report of any health and safety issues and nor is there likely to be. The interim dividend decision has been deferred pending greater clarity on this issue.