

Central Asia Metals announced 2018 operating results

Aliya Assilbekova — January 10, 2019

According to 2018 operating results, the Company produced 14 049 tons of copper on Kounrad (-0,38% y/y), 22 532 tons of zinc concentrate (+4,39% y/y) and 29 388 tons of lead concentrate (-1,65% y/y) on SASA. CAML has confirmed its production results for 2018 in the range between 13 000-14 000 tons of copper, 21 000 -23 000 tons of zinc concentrate and 28 000-30 000 tons of lead concentrate.

During 4Q2018, the Company produced 3 636 tons of copper on Kounrad (+12,43% y/y), 5 769 tons of zinc concentrate (+59,14% y/y) and 7 401 tons of lead concentrate (+49,48% y/y) on SASA. In 2018, out of 14 049 tons of copper produced on Kounrad 8 980 tons (64%) were recovered from the Western dumps. As of the year ended 2018, the slight reduction in the zinc recovery was observed on SASA, which amounted to 84,6% as opposed to 85,5% in 2017. In addition, there was a decrease in the lead recovery on SASA from 94,6% in 2017 to 93,6% in 2018. In 2018, the Company has completed the exploration at Shuak, undertaking both diamond and hydro transport drilling. While the results received have been encouraging, CAML will not proceed to develop this project and plans to return the asset to the current 20% shareholders, while retaining royalty of 1,25%.

Our opinion:

The production results demonstrated by the Company in 2018 are in line with our expectations. Slight decrease in lead and zinc recoveries would not significantly affect the production guidance. SASA mine has historically exhibited stable production indicators for lead and zinc. Successful transfer of the production from the Eastern dumps to the Western dumps is the key factor of the stable operating performance of the Company in Kazakhstan. According to 2018 results, the transition of production is proceeding as planned. We maintain our recommendation to **Buy CAML with 12M TP 270 GBp/share**.

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