A COMPETENT PERSONS' REPORT ON THE SASA LEAD-ZINC MINE, REPUBLIC OF MACEDONIA

Prepared For

Central Asia Metals PLC

Peel Hunt LLP

J.P. Morgan Securities PLC

Report Prepared by

srk consulting

SRK Consulting (UK) Limited

UK7322

SRK Legal Entity:		SRK Consulting (UK) Limited
SRK Address:		5th Floor Churchill House 17 Churchill Way Cardiff, CF10 2HH Wales, United Kingdom.
Date:		22 September 2017
Project Number:		UK7322
SRK Project Manager:	Richard Oldcorn	Corporate Consultant (Due Diligence)
SRK Project Director:	Dr. Iestyn Humphreys	Corporate Consultant (Due Diligence)
Client Legal Entity:		Central Asia Metals PLC
Client Address:		11 Albemarle Street London W1S 4HH United Kingdom

SRK Consulting (UK) Limited
5th Floor Churchill House
17 Churchill Way
City and County of Cardiff
CF10 2HH, Wales
United Kingdom
E-mail: enquiries@srk.co.uk
URL: www.srk.co.uk
Tel: + 44 (0) 2920 348 150
Fax: + 44 (0) 2920 348 199

EXECUTIVE SUMMARY A COMPETENT PERSONS' REPORT ON THE SASA LEAD-ZINC MINE, REPUBLIC OF MACEDONIA

1 INTRODUCTION

1.1 Background

SRK Consulting (UK) Limited ("SRK") is an associate company of the international group holding company, SRK Consulting (Global) Limited (the "SRK Group"). SRK was requested by Central Asia Metals PLC ("CAM", hereinafter also referred to as the "Company" or the "Client") to undertake technical due diligence in respect of the "Mineral Assets" (defined below) of Lynx Resources Ltd and in addition to prepare a Competent Persons' Report ("CPR") in accordance with the AIM Rules (as defined below).

Lynx Resources Ltd is a private company, registered in Bermuda, which was established by Fusion Capital and Orion Mine Finance Group to acquire the SASA lead-zinc mine in Macedonia in November 2015. Lynx Resources manages its interests through its wholly owned subsidiary, Rudnik "SASA" DOOEL ("SASA Mine"). The Mineral Assets which are the subject of the CPR are the SASA lead zinc mine (the "SASA Mine"), in the Former Yugoslav Republic of Macedonia ("Macedonia").

CAM proposes to acquire the SASA Mine through the acquisition of Lynx Resources Ltd.

For the 12-month period ended 31 December 2016, Lynx Resources reported the following key operating statistics for the Mineral Assets: saleable products comprising: 39,507 dmt Pb concentrate and 45,548 dmt Zn concentrate from 782,823 dmt mined and 779,231 dmt processed. For the first 6 months of 2017 ("H1 2017") these statistics are: 20,301 dmt Pb concentrate and 21,719 dmt Zn concentrate from 391,043 dmt mined and 392,257 dmt processed.

The current Life of Mine Plan ("LoMp") (starting H2 2017, limited to end-2037) assumes ore production of 15.98 Mt ore to the process plant, with saleable products comprising 357.2 kt Zn in concentrate, 559.8 kt Pb in concentrate and 6,949 koz Ag in concentrate.

SRK has been informed that the Company is intending to publish an AIM Admission Document in connection with the proposed acquisition of the SASA Mine and seek readmission of the Company's shares on the London Stock Exchange's Alternative Investment Market ("AIM") as required under the AIM Rules and that as part of this it is required to include a report on the SASA Mine.

This report is addressed to Central Asia Metals PLC, its Nominated Advisor, Peel Hunt LLP and its financial advisor J.P. Morgan Securities PLC. SRK understands that this report will be included as part of an AIM admission document to be published by CAM (the "Admission Document"). For the purposes of the AIM Rules for Companies, SRK is responsible for this report as part of the Admission Document and declares that it has taken all reasonable care to ensure that the information contained in this report is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import and no material change has occurred from 1 July 2017 to 22 September 2017 that would require any amendment to the CPR. SRK consents to the inclusion of this report, and reference to any part of this report, in the Admission Document.

This CPR reports on the Mineral Resource and Ore Reserve estimates of the Mineral Asset as of 01 July 2017, in accordance with the terms and guidelines of the JORC Code (2012).

A number of site visits were undertaken by the SRK Competent Persons for the purposes of the CPR and Mineral Resource and Ore Reserve Assessment, covering Geology, Geotechnical, Mining, Geochemistry, Mineral Processing, Tailings, Hydrology and Environmental from February 2016 through to July 2017.

1.2 The Mineral Assets

The SASA Mine is located in northeastern Macedonia (Figure ES 1), approximately 150 km from the capital city of Skopje and 10 km to the north of the small village of Makedonska Kamenica.

SASA Mine comprises an operating underground lead-zinc mine and flotation plant, which allows for the production of separate zinc and lead concentrates. Concentrates are currently transported by truck for treatment in smelters in the surrounding region.

The mine is located in the Osogovo Mountains of eastern Macedonia at the head of the deeply incised Kamenica River valley, with an elevation range of approximately 975 to 1,600 m above sea level. The mine site is subject to continental and Mediterranean climatic influences, with hot dry summers and cold winters. Underground mine infrastructure is extensive, as shown in Figure ES 2, with many historic worked out areas. A number of restored and operational tailings storage facilities (“TSF”) are located in the valley below the processing plant. A new TSF, TSF 4, is currently under construction, immediately downstream of the active TSF 3.2. Active and legacy waste rock dumps are located around the property. Waste rock from the active mine is transported to the surface for capping of the TSFs as part of the rehabilitation plan or is stored for future use in TSF construction

A summary of all licences related to the SASA Mine is included in Table ES 1. SRK notes that whilst the current exploration licence expires on 13 December 2017, the application for renewal is already in progress. SRK has every reason to expect that the licence will be renewed as a matter of course within the allowable 12-month period following the expiry of the licence.

Table ES 1: Summary Table of Mineral Assets

Asset	Holder	Interest	Status	Licence expiry date	Licence area	Comments
SASA Mine, Macedonia	Rudnik SASA DOOEL	100%	Production	28 September 2030	4.22 km^2	Current annual run of mine production is 780 kt, producing lead and zinc concentrates.
SASA Mine, Macedonia	Rudnik SASA DOOEL	100%	Exploration	Expires on 13 December 2017[1)]	1.42 km^2	

1) For further details regarding the renewal status refer to Section ES1.5.

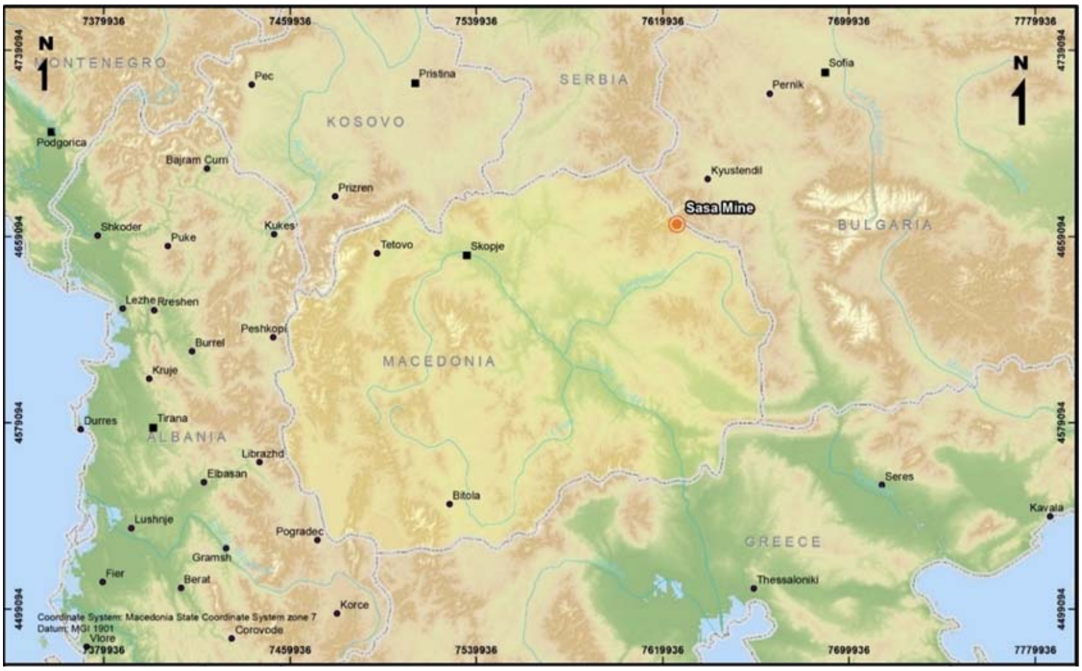


Figure ES 1: SASA Mine location in Macedonia and wider Balkans region

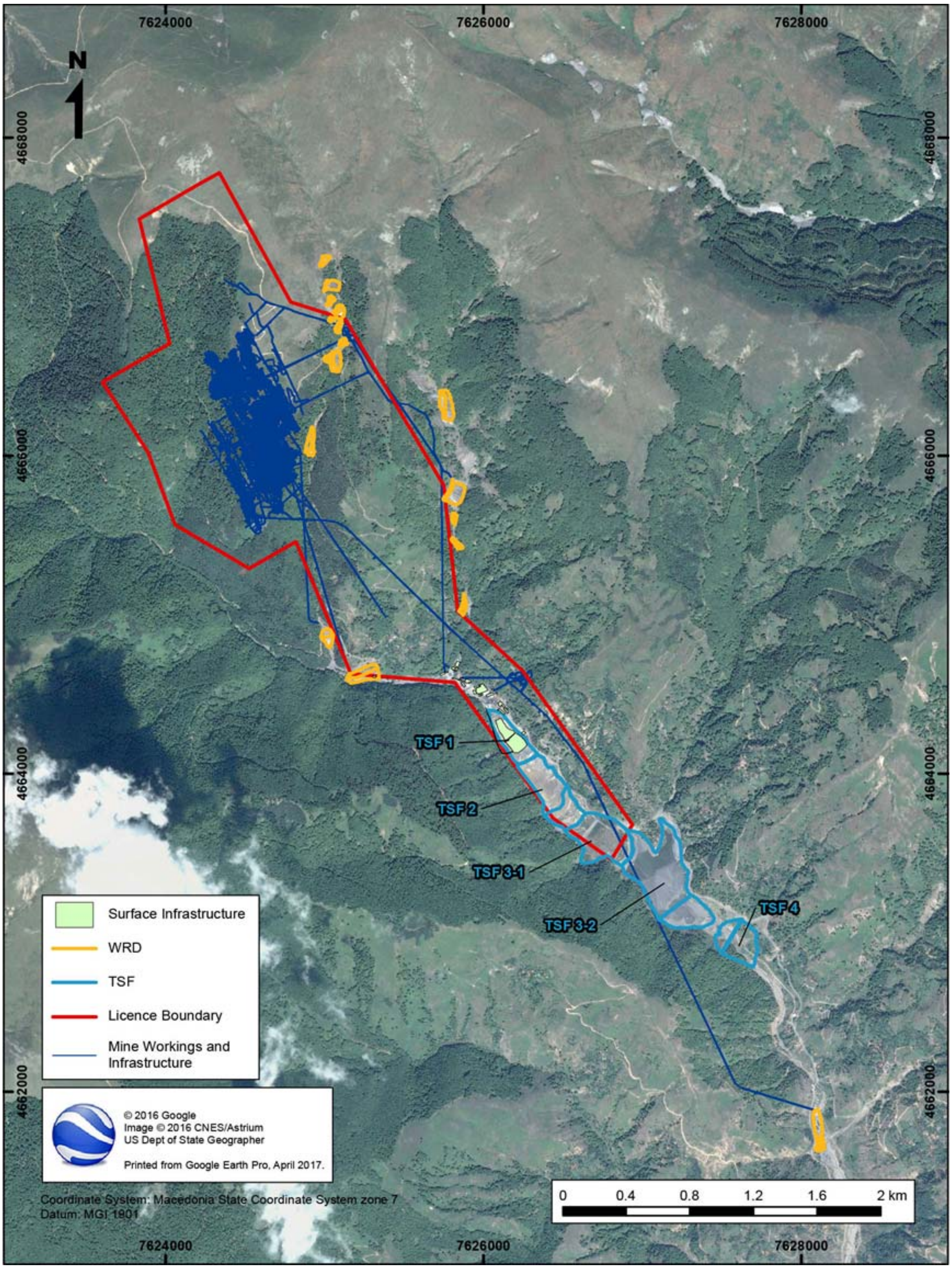


Figure ES 2: Aerial view showing layout of the SASA Mine site and facilities

1.3 Competent Persons

This CPR has been prepared based on a technical and economic review by a team of consultants sourced from SRK's offices in the United Kingdom. These consultants have extensive experience in the mining and metals sector and are members in good standing of appropriate professional institutions. The consultants comprise specialists in the fields of: geology and resource estimation; mining engineering and ore reserves; mining geotechnical engineering; hydrogeology/hydrology; waste and tailings engineering; geochemistry; water management; environmental and social; occupational health and safety and financial evaluation (hereinafter the "Technical Disciplines").

The Mineral Resource Estimate ("MRE") and report was undertaken by SRK UK, and the Competent Person is Mr Guy Dishaw, BSc, who is a full time employee of and Principal Consultant (Resource Geology) at SRK. Mr Dishaw is a Professional Geoscientist registered with the Association of Professional Engineers and Geoscientists of Saskatchewan, a 'Recognised Overseas Professional Organisation' ("ROPO") included in a list promulgated by the Australian Stock Exchange ("ASX") from time to time. Mr Dishaw has 17 years' experience in the mining and metals industry and also has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012). The full Mineral Resource Report has been prepared separately to this CPR and a summary is presented in Section 3.

The Competent Person who has reviewed the Ore Reserves and the Life of Mine Plan ("LoMp") as reported by Lynx Resources is Mr Chris Bray, BEng, MAusIMM (CP), who is a full time employee of and Principal Consultant (Mining) at SRK. He is a Member of and Chartered Professional in the Australasian Institute of Mining and Metallurgy, a ROPO. Mr Bray is a Mining Engineer with 20 years' experience in the mining and metals industry, including operational experience in underground lead-zinc mines, and as such qualifies as a Competent Person as defined in the JORC Code (2012). He has also been involved in the reporting of Ore Reserves on various properties internationally for over 10 years.

The Competent Person who has overall responsibility for the CPR is Mr Richard Oldcorn, MSc, CGeol, who is a Corporate Consultant and Managing Director of SRK. He is a Fellow of the Geological Society of London and a Chartered Geologist, a ROPO. Mr Oldcorn has 27 years' experience in the mining and metals industry and also has been involved in the preparation of Competent Persons' Reports comprising technical evaluations of various mineral assets internationally during the past five years, which is relevant to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012).

Table ES 2 provides a summary of the designated Competent Persons and other key contributors for completion of this CPR.

Neither SRK nor the authors of this report are qualified to provide comment on any legal issues associated with the SASA Mine. Assessment of these aspects has relied on information provided by Lynx Resources and its advisors, and has not been independently verified by the authors.

The technical work and economic modelling for the Ore Reserve estimate has been completed by Lynx Resources and other third party consultants with SRK working in an independent review capacity.

Table ES 2: Competent Persons and Other Experts

List of Competent Persons					
Competent Person	**Position / Company**	**Responsibility**	**Independent of Rudnik SASA DOOEL**	**Date of Last Site Visit**	**Professional Designation**
Guy Dishaw	Principal Consultant (Resource Geology), SRK Consulting (UK) Ltd	Mineral Resources Estimate	Yes	January 2017	BSc, P.Geo
Christopher Bray	Principal Consultant (Mining), SRK Consulting (UK) Ltd	Ore Reserve Estimate	Yes	March 2017	BEng, MAusIMM(CP)
Richard Oldcorn	Corporate Consultant (Due Diligence), SRK Consulting (UK) Ltd	Overall CPR	Yes	March 2017	BSc, MSc, CGeol
Other Experts who assisted the Competent Persons					
Expert	**Position / Company**	**Responsibility**	**Independent of Rudnik SASA DOOEL**	**Date of Last Site Visit**	**Professional Designation**
Neil Marshall	Corporate Consultant (Geotechnical Engineering), SRK Consulting (UK) Ltd	Geotechnical Assessment	Yes	July 2017	CEng, MSc (DIC), MIMMM
Dr David Pattinson	Corporate Consultant (Minerals Processing & Metallurgy), SRK Consulting (UK) Ltd	Mineral Processing Review	Yes	March 2017	PhD, CEng, MIMMM, BSc
Richard Martindale	Principal Consultant (Geotechnical and Tailings Engineering), SRK Consulting (UK) Ltd	Tailings Management Review	Yes	February 2016	CEng, BSc, MSc, MCSM, MIMMM, FGS
Carl Williams	Senior Consultant (Geochemistry), SRK Consulting (UK) Ltd	Geochemistry Review	Yes	March 2017	MSc BEng, Grad MCIWEM
Fiona Cessford	Corporate Consultant (Environment), SRK Consulting (UK) Ltd	Environmental & Social Review	Yes	March 2017	BSc, MSc, Pr.Sci.Nat.
Samantha Barnes	Consultant (Hydraulic Engineering), SRK Consulting (UK) Ltd	Water Management Review	Yes	March 2017	BSc, BESc,
Jamie Spiers	Senior Consultant (Tailings and Closure), SRK Consulting (UK) Ltd	Conceptual Closure Cost Estimate	Yes	none	BSc, MSc
Inge Moors	Senior Consultant (Mineral Economics), SRK Consulting (UK) Ltd	Financial Model Review	Yes	none	MSc, MAusIMM

1.4 Historical Mining

The initial mining and geological surveys of the Osogovo Mountains' ore-bearing massif and the SASA Mine locality date from 1954. The period between 1954 and 1960 was a period of exploration and the mine construction took place between 1960 and 1965. In November 1965, the mine was opened for trial processing with a projected production capacity of 0.3 Mtpa of lead-zinc ore.

The SASA Mine commenced operation from 1966 as a state-owned entity. During the 1990s, ore production levels at SASA Mine were roughly 0.5 Mtpa and, in 2002, the mining and milling operation was shut down due to lack of operating capital on the part of the Macedonian government, which owned the mine. Subsequently, the mine was put into bankruptcy and closed. The Solway Group subsequently purchased the mine and operations were restarted in 2006.

Table ES 3 provides a summary of the recent annual mine and processing production at the SASA Mine.

Table ES 3: Historical Production at the SASA Mine

Description	Units	2010	2011	2012	2013	2014	2015	2016	H1 2017
Mine Performance									
Total Ore Mined	(kt wet)	838	788	784	807	809	806	807	402
	(kt dry)	809	759	753	777	780	780	783	391
Lead grade	(% Pb)	4.05	3.83	3.93	4.13	4.16	4.04	3.95	4.01
Zinc grade	(% Zn)	3.81	3.43	3.35	3.47	3.48	3.52	3.41	3.20
Process Plant Performance									
Ore Processed	(kt wet)	840	787	785	804	809	803	803	404
	(kt dry)	811	758	754	774	780	777	779	392
Lead grade	(% Pb)	4.05	3.83	3.93	4.13	4.16	4.04	3.95	4.01
Zinc grade	(% Zn)	3.81	3.43	3.35	3.47	3.48	3.52	3.41	3.20
Lead Concentrate									
Lead Concentrate	(kt dry)	41.3	37.1	38.0	41.0	41.6	40.2	39.5	20.3
Lead Recovery	(%)	94.4	95.1	94.4	94.4	94.5	94.1	94.1	94.6
Lead Grade	(% Pb)	75.15	74.32	73.64	73.62	73.73	73.51	73.29	73.29
Zinc Grade	(% Zn)	2.82	2.66	2.43	2.59	2.59	2.86	2.71	2.56
Lead Contained	(kt)	31.0	27.6	28.0	30.2	30.7	29.5	29.0	14.9
Zinc Concentrate									
Zinc Concentrate	(kt dry)	52.8	44.6	43.1	46.2	46.9	47.2	45.5	21.7
Zinc Recovery	(%)	86.0	86.6	86.2	86.3	86.5	85.8	84.6	85.6
Lead Grade	(% Pb)	1.13	1.05	1.08	1.06	1.33	1.64	1.33	1.10
Zinc Grade	(% Zn)	50.36	50.56	50.51	50.14	50.13	49.78	49.43	49.45
Zinc Contained	(kt)	26.6	22.5	21.8	23.2	23.5	23.5	22.5	10.7

1.5 Mineral Tenement and Land Tenure Status

A plan showing the current Exploitation Concession area (No.24-2413/1) and the current Exploration Concession area (No.24-497/10) is provided in Figure ES 3.

The exploitation concession (24-5550/1) covers an area of 4.22 km^2 and comprises sub-areas labelled by year, which relate to expansions of previous licence boundaries. The current exploitation concession was most recently issued to Lynx Resources on 13 November 2014 and is valid until 28 September 2030, with the possibility of extending for another 30 years.

The exploration concession (24-4971/1) covers an area of 1.42 km^2, was issued to Lynx Resources on 13 December 2013 and expires on 13 December 2017. Lynx Resources is currently in the process of applying to renew the exploration concession. A study detailing the results of exploration between 2013 and 2017 is going to be submitted by October 2017, and following revision of the study by the Geological Department of the Ministry of Economy, Lynx Resources will apply for an extension of the mining concession to include the current exploration concession area. Once this extended mining concession is approved, a new application for an exploration concession area will be submitted. Lynx Resources has 12 months from the date of expiration in which to complete the applications for both the extension of the mining concession and the new exploration concession.

SRK notes that 12% of the Inferred Mineral Resources of the Svinja Reka deposit fall outside the current exploitation licence, but within the exploration licence. A total of 2.1 Mt of material is to be mined at Svinja Reka from the Inferred category from 2029 to 2034, 12% of which corresponds to only 0.25 Mt of material outside the exploitation licence area. SRK notes that there is potential to extend the mine life by further defining and potentially extending the Svinja Reka and Golema Reka resources at depth, and by delineating and quantifying extents of the Kozja Reka deposit, combined with further licence extensions, and that such studies are ongoing or planned.

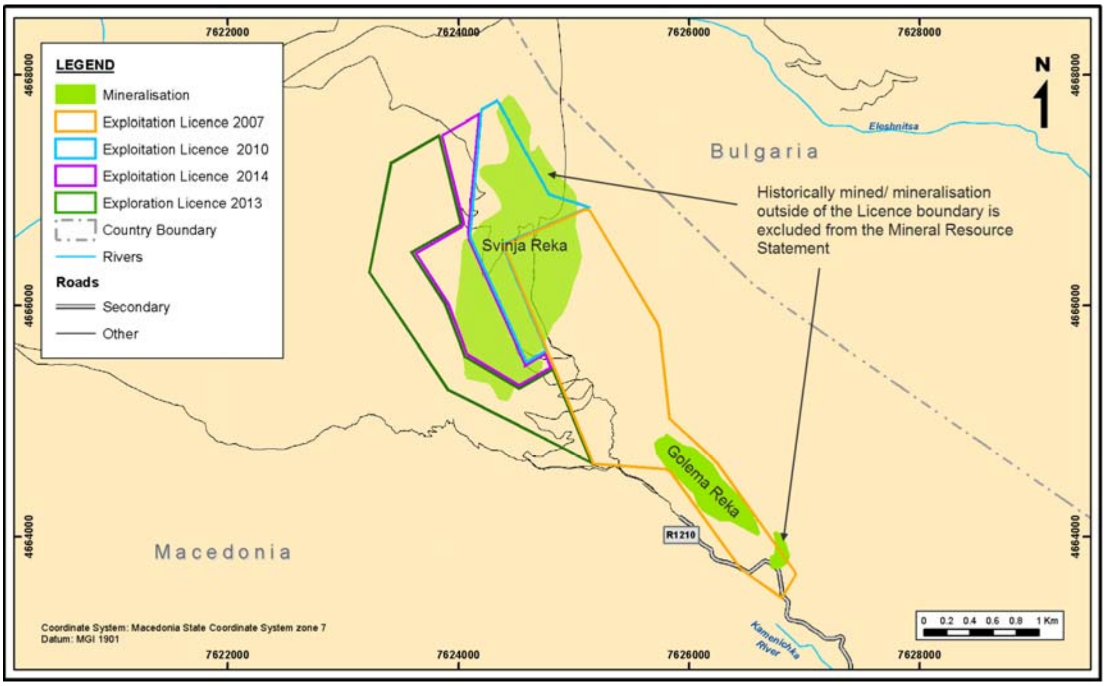


Figure ES 3: Current SASA Mine Licence Boundaries with mineralisation wireframes

2 MINERAL RESOURCE STATEMENT

2.1 Regional and Local Geology, Deposit Type and Mineralisation

SASA Mine comprises the Svinja Reka, Golema Reka and Kozja Reka lead-zinc-silver deposits, which lie within the Serbo-Macedonian Massif, a belt which extends through Serbia, Macedonia, Bulgaria, and eastern Greece into Turkey and hosts a large number of lead-zinc deposits. The mineral deposits are located on the eastern flank of a Tertiary intermediate intrusive complex and related porphyry Cu-Mo system, within which a northwest striking stockwork alteration zone is developed. Lead-zinc-silver mineralisation occurs as stratiform deposits hosted predominantly by quartz-graphite schist and marbles of Lower Palaeozoic age at Svinja Reka and by gneisses at Golema Reka. The mineralisation is considered to relate to the intrusion of Tertiary volcanics. High-temperature hydrothermal fluids and bedding-parallel faulting are responsible for metasomatism of the host sediments, producing skarn and base metal mineralisation.

The well-defined, partially exploited, lenses of lead-zinc-silver mineralisation dip at approximately 35° to the south-west and typically range in true thickness from between 2 and 30 m. The mineralised lenses are present in parallel sheets (typically two or three bodies, namely the hanging wall, central and footwall orebodies), separated by an interburden with thicknesses of 1 to 10 m. The lenses pinch and swell along strike and down-dip. The mineral deposits are considered to be metasomatic skarn-hydrothermal deposits with replacement and bedding-parallel fault controlled mineralisation. The skarns occur in the form of replacement of marble, whereas the hydrothermal lead-zinc-silver mineralisation appears as replacements and as open-space fillings. The hydrothermal association, which is superimposed onto the skarn assemblages, contains argentiferous galena, sphalerite, pyrite and minor chalcopyrite.

Only Svinja Reka and Golema Reka form part of the Mineral Resources as described in this report. Kozja Reka was mined previously but has not been further evaluated at this stage.

2.2 Mineral Resource Estimation

The SASA Mine has been explored since 1954 including geophysics, mapping, trenching, and drilling from both surface and underground excavations. The Mineral Resource models at the SASA Mine consider 1,442 underground and surface diamond drillholes and 15 underground channels conducted between the years of 1974 and 2016 for the Svinja Reka deposit and 104 underground and surface diamond drillholes and 51 underground channels conducted between the years of 1974 to 2010 for the Golema Reka deposit. The resource database was reviewed and verified by SRK before use in the Mineral Resource Estimates.

Whilst no routine external assay Quality Assurance/Quality Control ("QAQC") procedures are currently implemented, SRK has previously completed an independent check by selecting 400 duplicate pulp samples, from SASA Mine drilling intercepts, which were submitted to the Eurotest Control Sofia laboratory. Analysis of the results indicates in general the reasonable quality of results, albeit with a slight bias toward lower grade. The SASA Mine laboratory is annually audited by the Macedonian Accreditation Institute and also acts as control for the plant concentrate shipment. The SASA Mine laboratory also regularly submits check samples to a laboratory in Sofia, Bulgaria as part of its own internal QAQC programme.

A number of historical Mineral Resource Estimates, in accordance with the JORC guidelines, have been completed by international consulting groups (SRK in 2006, Wardell Armstrong in 2011 and MRA in 2015).

In addition, SASA Mine is required to undertake reporting of Reserves in accordance with the Macedonian State Reporting System every four years. The State Reporting for the SASA Mine is prepared by a local design institute and was last completed as at 01 April 2015. Classification and categorisation of State Reserves is defined by the Macedonian Law for mineral raw materials and is prescriptive, with many similarities to other resource and reserve reporting systems developed in Eastern Europe and the Former USSR. Silver grade estimates are not provided in the State Resources and Reserves.

Block model tonnages and grade estimates for the Svinja Reka and Golema Reka deposits have been classified in accordance with the guidelines of the JORC Code (2012). In addition to the quality and quantity of exploration data supporting the estimates, the confidence in the geological continuity of the mineralised structures and the confidence in the tonnage and grade estimates is considered in assigning the Resource classification. Depletion due to mining has been accounted for in the models.

The geological interpretation used to generate the Mineral Resource is generally considered to be robust; however, there are areas of lower geological confidence which may be subject to further revision in the future.

At Svinja Reka, SRK considers that the quality and spatial distribution of the data used, the geological continuity of the mineralisation and the quality of the estimated block model is sufficient for the reporting of Indicated and Inferred Mineral Resources. At Golema Reka, Mineral Resources have been limited to the Inferred category due to the lower confidence in the geological model and absence of any historical core or accessible mineralisation exposures. Areas of mineralisation in Golema Reka that contain less than 2% Pb+Zn over a 3.5 m width, remain unclassified and are excluded from the Mineral Resource.

To determine that the Mineral Resources have reasonable prospects for economic extraction by underground mining methods, they have been evaluated based on a minimum Net Smelter Return ("NSR") cut off value based on Pb, Zn, and Ag credits, using a Pb price of USD2,550/t, a Zn price of USD2,800/t and a silver price of USD25/oz. These prices are based on typical long-term consensus forecasts with a 30% premium (to reflect the requirement for "reasonable prospects" for eventual extraction) and a set of assumed technical and economic parameters, which were selected based on the current mining operations. The Mineral Resources comprise volumes that are generally considered to be wider than the minimum mining width (3.5 m).

SRK considers that the blocks with a NSR value greater than USD30/t at Svinja Reka and USD35/t at Golema Reka have "reasonable prospects for eventual economic extraction" and can be reported as a Mineral Resource according to the definitions of the JORC Code (2012). (Figure ES 3).

Table ES 4: SRK Mineral Resource Statement for Combined Svinja Reka and Golema Reka Deposits, SASA Mine, as at 01 July 2017 reported at USD30/t and USD35/t NSR cut-off, respectively

Classification/ Deposit	Density	Tonnage	Pb		Zn		Ag		NSR	Pb + Zn
	(t/m^3)	(Mt)	Grade (%)	Metal (kt)	Grade (%)	Metal (kt)	Grade (g/t)	Metal (koz)	(USD/t)	Grade (%)
Indicated Mineral Resources										
Svinja Reka	3.4	13.30	4.59	611	3.68	490	22.0	9,403	126	8.28
Golema Reka	0	-	0	0	0	0	0	0	0	0
Total Indicated	**3.4**	**13.30**	**4.59**	**611**	**3.68**	**490**	**22.0**	**9,403**	**126**	**8.28**
Inferred Mineral Resources										
Svinja Reka	3.2	2.67	3.16	84	2.08	56	16.6	1,426	82	5.24
Golema Reka	2.9	7.4	3.69	273	1.52	112	18.6	4,424	94	5.21
Total Inferred	**3.0**	**10.07**	**3.55**	**357**	**1.67**	**168**	**18.1**	**5,849**	**91**	**5.22**
Total Indicated and Inferred Mineral Resources	**3.2**	**23.37**	**4.14**	**968**	**2.81**	**658**	**20.3**	**15,252**	**111**	**6.96**

In reporting the Mineral Resource Statements, SRK notes the following:

- Mineral Resources have an effective date of 1 July 2017. The Competent Person for the declaration of Mineral Resources is Guy Dishaw, P.Geo., of SRK Consulting (UK) Ltd. The Mineral Resource estimate was prepared by a team of consultants from SRK considering drilling data up to 01 October 2016 and has been depleted by excavation volumes representing mining to 1 July 2017;
- Mineral Resources are reported within the Exploitation and Exploration Licences only;
- Mineral Resources are reported as undiluted. No mining recovery has been applied in the Statement; and
- The Indicated Mineral Resources are inclusive of those Mineral Resources modified to

produce Ore Reserves, i.e. they are reported on an 'inclusive basis'.

SRK has made a number of recommendations to improve the quality of the Mineral Resource Estimates going forwards, including:

- Routinely assay for Ag in future drilling programmes to improve confidence in the local-scale variability of the Ag grades in block model which may, in places, be independent from Pb grade. There may be locally secondary controls on silver mineralisation that are not currently realised due to the limitations of sampling.
- Regularly collecting additional density samples and increasing the size of the database to add confidence to the modelled density values.
- Implementation of full assay QAQC procedures for sampling and assay (including blanks, duplicates and standards) for all future drilling campaigns.
- An underground mapping programme by a structural geologist to investigate the potential for additional controls on mineralisation, to better understand the distribution and exploration implications for the high grade lead-zinc-silver mineralisation.

SRK is aware that SASA Mine has planned a campaign of surface, and possibly underground drillholes at the Golema Reka deposit to confirm the current model, and add additional intersections to improve the confidence in the geological model. The drilling programme has been submitted for permitting and is expected to commence in late H2 2017 or early H1 2018.

3 GEOTECHNICAL

SRK has undertaken a geotechnical assessment of the SASA mine using empirical and preliminary two dimensional finite element numerical modelling. The analysis has confirmed the appropriateness of the current mine design parameters being used.

The assessment has also shown that the rock mass lies at the boundary of a caving and marginally caveable material and SRK recommends that horizontal mining front is maintained across all orebodies in order to reduces the magnitude of mining induced stresses down dip of the mining front.

In order to improve the geotechnical model, actual mine performance will need to be compared to results of the 2D modelling and the input parameters and/or the mining sequence modified to better reflect the actual mine performance.

SRK has undertaken a review of rock support and geotechnical practices at SASA Mine. Whilst generally the support of permanent development is being carried out to a satisfactory level, the stability of temporary ore drives could be further improved. SRK has made a number of suggestions for improvement to ore drive stability. Improvements to the support methods and materials used can be made to assist the mine to work towards international best practice standards and some progress has already been made.

4 MINING

From a mining method perspective, the approach used at the SASA Mine has been successful in achieving in excess of the planned production rate in the current LoM plan. Due to the low level spacing there are reasonable opportunities to achieve the mining dilution and loss parameters used in the mine plan.

The defined stope shapes extend from the 1,054 mRL to a lowest elevation of 797 mRL on a level spacing of 7 m, over a strike length of 835 m. The main lower access of the existing mine development is an exploration decline ramp some 24 m below the 830 mRL (approximately 837 mRL in the vicinity of the orebody) which is only 20 m above the lower elevation of the stope shapes considered in the mine design. Figure ES 4 provides a view of the existing mine development and mined stopes (brown) and the stope design based on the optimised shapes from a NSR breakeven operating cut-off of USD30/t for Indicated classified resources (green) and Inferred classified resources (blue).

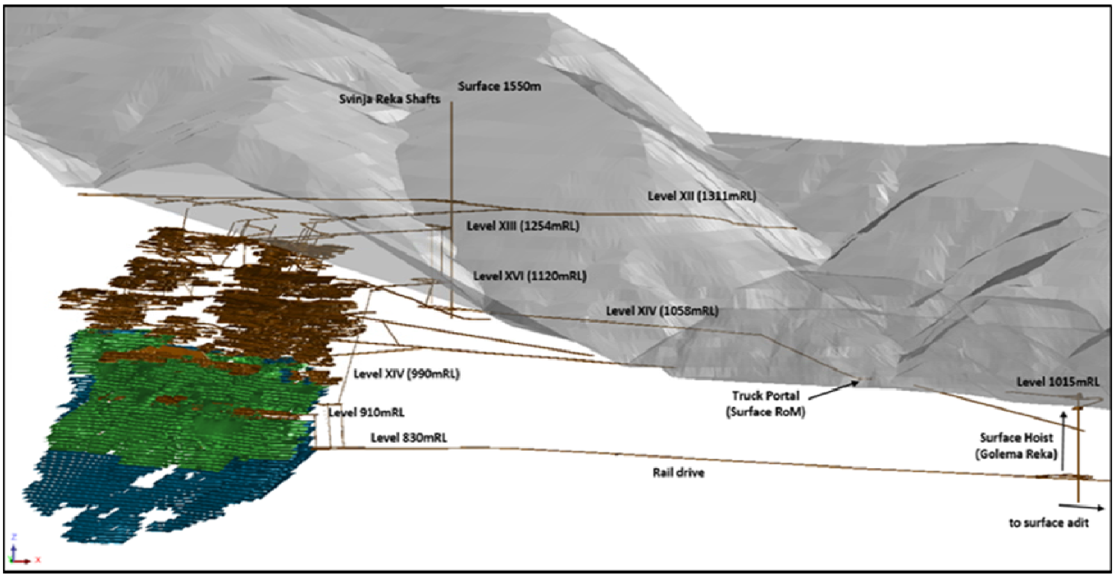


Figure ES 4: Oblique view showing existing development and mined stopes (brown) and planned stopes using Indicated (green) and Inferred (blue) Resources, looking north

The mine benefits significantly from having access development to upper and lower levels of the planned stoping areas as well as established materials handling systems. This existing development also allows for easy management of water ingress into the mine, although water ingresses were not observed to be significant during the March 2017 site visit.

The sub-level caving method currently in use at the SASA Mine, utilises a top-down approach without the use of backfill with development and production drilling being undertaken using single boom.

Whilst this method is one of the few underground mining methods that can be applied to this type of shallow dipping, stacked, variable thickness lead-zinc-silver lens system, the cut and fill method (which was historically used on the Golema Reka deposit) should be re-assessed in selected future mining areas to determine whether this is a more suitable method for the mine from a dilution, recovery, safety, production rate, and economic perspective.

The mine development and production physicals have been reported on 3.5 m levels from the design and block model, with the modifying factors applied prior to scheduling with the Deswik software. The LoMp relies predominantly on the Indicated Resources at the Svinja Reka deposit (to support the declaration of Ore Reserves), but also includes Inferred Resources from Svinja Reka and Golema Reka deposits. The LoMp schedule extends over a period of just under 22 years (H2 2017 to Q1 2038), commencing at an ore production rate of 770 ktpa (dry) in 2017, followed by 20 years (2018 to 2037) at 780 ktpa (dry) and a small amount of production in 2038 (approximately one month). The historical production indicates that there is typically an average moisture content of 3.6%. Figure ES 5 provides a graph of the projected ore production with lead and zinc grades schedule over the LoMp. Silver grades are estimated based on a correlation with lead grades within the ore and average 18.1 g/t Ag over the mine life.

The underground waste development (including rehabilitation) has been categorised and is scheduled annually over the mine life, as shown in Figure ES 6. Development waste generated from mining activities is estimated to total 1,395 kt over the LoMp with maximum annual tonnage of 83 kt (in 2017) and average annual tonnage of 65 kt (or 8.7% of total material mined annually). All development waste generated underground is transported to the surface.

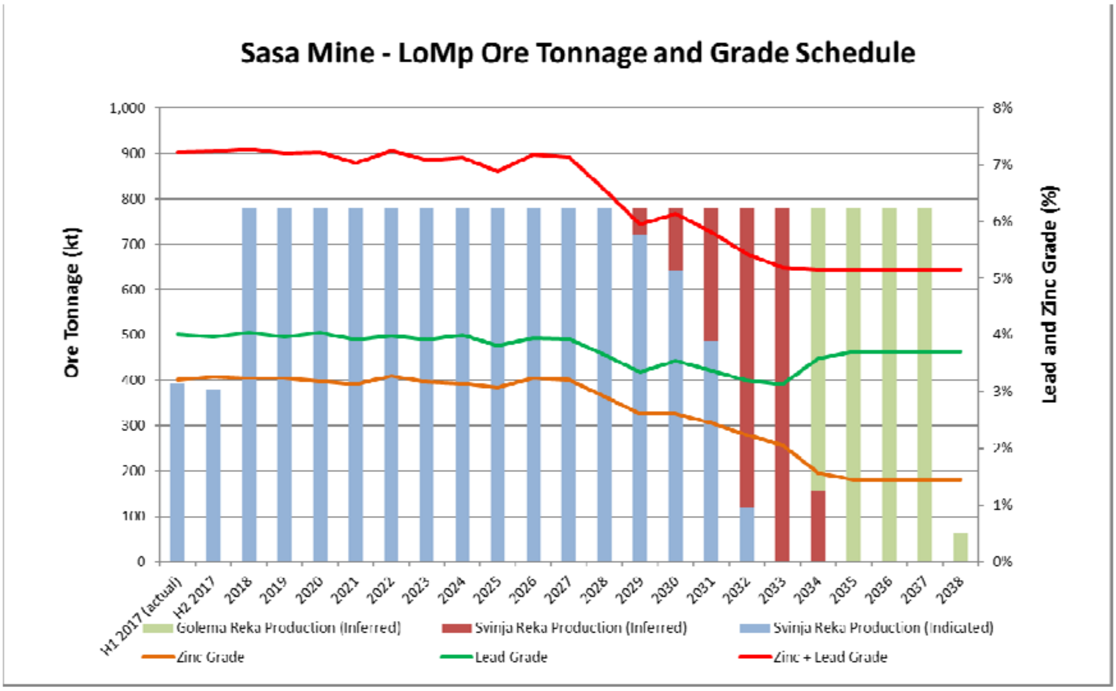


Figure ES 5: LoMp Ore Tonnage and Grade Schedule

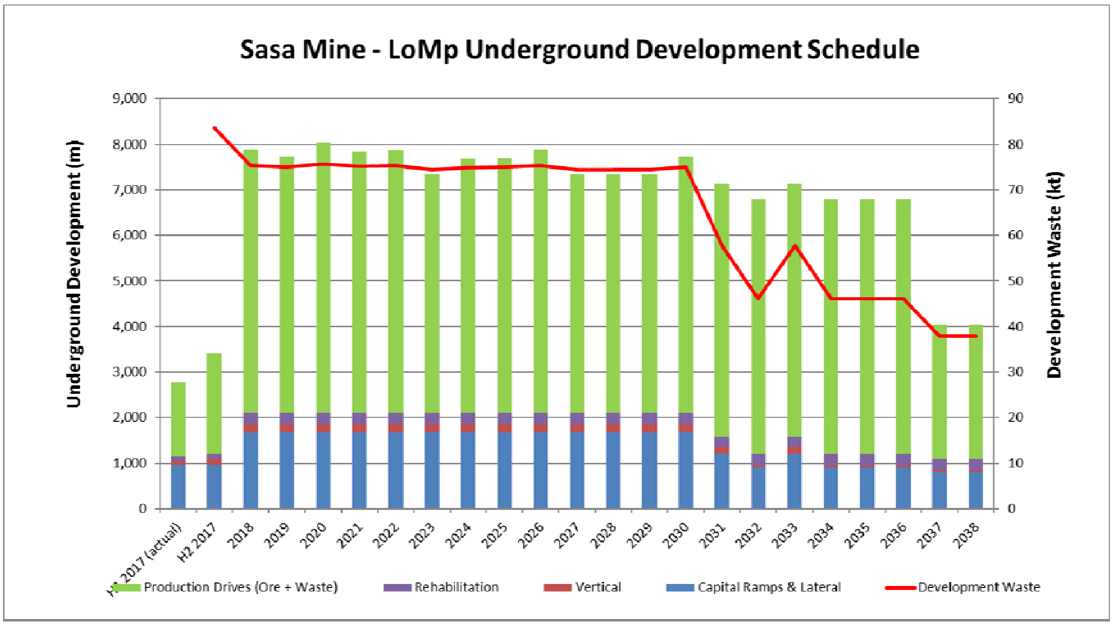


Figure ES 6: LoMp Underground Development Schedule

Since reopening in 2006, the SASA Mine has used a similar mining method approach as that proposed for the LoMp going forward and the planned production rate of 780 ktpa (dry) is conservative, given that the mine production has averaged 797 ktpa over the last 8 years, with a peak of 860 ktpa in 2009. SRK notes that in the last 8 years the mine achieved less than 780 ktpa in two of those years (759 kt in 2009 and 753 kt in 2010); however, this is not considered a material difference (less than 3%).

The sub-level cave mining method has been utilised for many years at the SASA Mine and, given the low level spacing (7 m), there are reasonable opportunities to achieve the mining dilution and loss parameters used in the mine plan.

SRK recognises that the LoMp includes material from the Inferred category of Mineral Resources, both in the lower levels of the Svinja Reka deposit and also the Golema Reka deposit, and that achievement of the LoMp is based on the conversion of Inferred Resources to Indicated or Measured Resources. At Svinja Reka, given the continuation of the sub-level caving method and the similar development profile, there do not appear to be any technical impediments to mining this material, assuming that additional drilling and sampling and geological analysis improves the Resource category to at least Indicated.

At the Golema Reka deposit, a cut and fill method will be adopted. This historically used method is geotechnically acceptable and the existing backfill plant can be recommissioned. In addition, the cost of backfill has been considered in the operating costs and subsequent NSR cut-off estimate for Golema Reka, therefore exploitation of the final years of the LoMp at Golema Reka are considered to be technically feasible, again assuming that the Inferred Resources in this deposit are converted to either Indicated or Measured category through additional geological investigations and analysis.

SRK considers it likely that the additional Inferred portions of the Svinja Reka and Golema Reka deposits will be converted to Indicated during the LoM operations and that the full LoMp will be delivered, on the understanding that the appropriate technical investigations and studies are undertaken in advance of proposed mining of these areas.

5 MINERAL PROCESSING

The process plant is conventional and the metallurgy for both lead and zinc, based on historical performance, is straightforward and well understood.

Ore from Golema Reka has been processed historically and the metallurgy is known. As with any mine, if new ore zones are to be mined and processed, metallurgical testwork should be performed to establish circuit operating parameters and to ascertain specific metallurgical performance.

The forecast plant throughput of 780 ktpa is conservative and is not a limiting factor in terms of mine output. The plant has proved that it can process up to 850 ktpa.

The lead metallurgy recovery of 94% is close to the historical performance of the plant and considered by SRK to be above the average typically achieved by similar operations.

The new zinc regrind mill should alleviate the issues with some overloading of the pumping systems in the zinc cleaner circuit and should increase the overall zinc recovery to the projected 87.5%.

A silver recovery to lead concentrate of 80% is used in the assessment. This is in line with recent historical performance. The calculated silver content of the lead concentrate is 287 to 320 g/t Ag and payable as part of the NSR. The silver grade in lead concentrate is below that historically achieved and is dependent on the tonnage of lead concentrate produced.

The zinc concentrate grade has been set at 49.3% in the model. SRK considers this to be conservative as it is lower than historical performance. A lower zinc grade in concentrate is likely to be beneficial for zinc recovery to zinc concentrate, as would be expected with a typical grade-recovery relationship. The zinc recovery included in the model assumes the installation of the new zinc regrind circuit during 2017 and includes an increased zinc recovery to zinc concentrate of 2% from 85.5% up to 87.5%, supported by recent lock-cycle testwork. Based on the predicted head grade and typical losses of zinc to the lead concentrate this zinc recovery would result in a final concentrator tailings of 0.3% Zn. This is lower than historically achieved, average 0.4% Zn since 2010, but reflects the tailings that would have been achieved if an additional recovery of 2% had been achieved. SRK considers that the higher recovery is reasonable, based on the testwork performed. The zinc feed grade is predicted to fall from 2028 and SRK recommends a reduction in zinc recovery based on a fixed tail calculation from this year to the end of the LoMp.

Historical performance would suggest that the lead grade in the zinc concentrate will not be an issue and should be less than 2% Pb.

A silver recovery to zinc concentrate of 10% included. Historically, this has been around 11%. The silver content of the zinc concentrate is typically around 40 g/t Ag and is not payable.

The operating costs included in the model for the process plant are based on actuals and are split in to fixed and variable costs, for electricity, reagents and consumables, labour, maintenance materials and miscellaneous costs, and are considered reasonable.

The new zinc SMD mill package has been included in the 2017 budget, with SMD mill capital of EUR597k out of the total 2017 plant budget of EUR1.4m (with EUR0.5m spent during H1

2017). It is estimated the SMD mill will be commissioned in Q4 2017.

From 2018 onwards, only sustaining capital has been provided for. This totals EUR12.9m over the remaining life of the mine for the processing plant alone, of which EUR150,000 per year from 2019 onwards has been allocated as a contingency. SRK considers the capital expenditure provided in the model to be appropriate.

6 TAILINGS STORAGE FACILITIES

The TSF complex has been operational since the 1960s, with the successive development of TSF 1, TSF 2, TSF 3.1 and TSF 3.2 (Figure ES 2). All the TSFs are located within the steep sided valley of the Kamenica River. The Kamenica River is carried below the TSF within an engineered river diversion structure.

TSF 1, TSF 2, and TSF 3.1 are inactive and have been rehabilitated with soil cover and vegetation. TSF 3.2 is currently active. Progressive development of the dam comprises downstream raising using cyclones, with coarse underflow to the dam shell and finer grain-size slimes to the impoundment void. Waste rock is transported via the mine access road and deposited at the downstream toe to form a buttress. Seepage water from TSF 3.1 and from the toe area of TSF 3.2 is captured in a sedimentation pond located at the toe of the downstream dam slope. Surplus water in the TSF 3.1 overflows via an overflow concrete collector pipe, which is used to manage the water level in the pond. An emergency spillway will be constructed when the dam reaches its design height at closure. A specific slope stability assessment has been completed for the active facility and in general terms, the methodologies, parameters and scenarios modelled are reasonable in the context of the stated report requirements. Also, recent work undertaken by Golder Associates indicates there to be no credible risk of overtopping in the critical storm-flow condition.

TSF 4 was designed to international standards by the Faculty of Engineering, Skopje, in March 2015. As with TSF 3.2 a specific slope stability assessment has been completed for the proposed facility and the methodologies, parameters and scenarios modelled are considered reasonable and thorough in the context of the stated report requirements. TSF 4 is currently under construction and is designed to provide sufficient containment for requirements between October 2018 and 2026 (predicted lifetime at current processing rate), and will be located directly downstream of TSF 3.2. Construction of the entire facility is planned to be completed by May 2018. TSF 4 will be developed adopting similar waste delivery, placement and operational management methodologies to those that have been adopted for the active TSF 3.2; however, the downstream slope will include a granular rock fill toe buttress that is progressively raised in line with tailings progression.

TSF 4 requires an extension to the Kamenica River diversion structure as a tunnel in the western rock abutment of the dam, which is partiality constructed as well as an open channel diversion of the Petrova stream along the eastern side of the valley. A contractor (Strabag) is currently installing the concrete lining of the tunnel, which is on schedule for completion in Q4 2017. Construction permits have been received for the diversion tunnel and the channel works, and construction is in progress. The approval for the construction of the dam is in progress, including modifications to the design for the lining.

As part of the EIA approval process, the Ministry of Environment and Physical Planning (“MEPP”) recommended that the Minister for Environment approve the EIA, subject to SASA modifying the design to include a liner. SASA Mine management will install a liner to address this request.

The river diversion structure entrance portal is located at the northern end of TSF 1 at the plant site and the exit is located immediately downstream of the TSF 3.2 dam slope toe. The tunnel has been extended progressively in advance of tailings deposition development and comprises a concrete structure for about 40% of its length constructed under the tailings (culvert section) and 60% constructed in the in situ rock (tunnel section). A new section of tunnel has been constructed beyond the toe of TSF 3.2 to further divert the river around TSF 4. SRK considers that the TSF 4 extension tunnel in its existing condition and the outlet portal area and have been constructed with appropriate support for a long-term structure. Once concrete lined, the tunnel is expected to be very secure.

In 2003, whilst the mine was under State ownership and was not operational, failure of an ancillary structure that diverted captured TSF 3.1 drainage water into the river diversion tunnel resulted in flow of tailings from TSF 3.1 into the water-course and on into the downstream environment. The physical effects of the failure were successfully remediated; the downstream environment was cleared; the culvert was cleared, the ancillary structure for drainage was remediated, and flow of water re-established. Subsequently, a programme of regular visual inspection and maintenance of the diversion tunnel and associated infrastructure has been followed and there have been no further issues since mine re-commissioning in 2006.

In March 2017, SASA Mine commissioned the Faculty of Engineering, Skopje to undertake a Tunnel Integrity Assessment for the entire length of the diversion tunnel, to assess the current state of the tunnel, especially in its older sections and to comment on any potential requirements for additional support/remediation. The study will include visual inspections, in situ testing and sampling for laboratory material testing. Work is currently ongoing and results will be delivered in Q4 2017.

The SASA Mine LoMp extends to Q1 2038, with a planned constant throughput of ore at a rate of 780 ktpa until end-2037. This results in a steady state production of tailings of around 175,000 m^3 per year tailings for dam construction and 230,000 m^3 per year fine tailings (plus sludge) for deposition in the impoundment (total 405,000 m^3 per annum). TSF 4 has capacity for 8 years of deposition, which means that additional TSFs will be required to provide storage for the entire LoMp. SASA Mine intends to construct two further TSFs downstream of TSF 4 to accommodate this additional material (TSF 5 and TSF 6). TSF 5 is planned to be constructed during 2025 and 2026 and is intended to be of a similar size to TSF 4 to provide an additional 8 years' storage. TSF 6 is planned to be constructed during 2033 and 2034 and is intended to be smaller than TSF 4 to provide an additional four years' storage up to 2038. Whilst detailed designs have not yet been prepared for either TSF 5 or TSF 6, SASA Mine has provided capital in the Financial Model in the relevant years. The capital quantum for TSF 5 (EUR7.5m, USD8.2m, which includes EUR2m allowance for the liner) is the same as that for TSF 4, and for TSF 6 the allowance is 50% of TSF 5 given the smaller storage requirement. There is also yearly sustaining capital of USD109k provided. Further preliminary and detailed design work for TSF 5 and TSF 6 will need to be completed, but these TSFs will require similar elements to TSF 4, including extension of the Kamenica River diversion tunnel through the bedrock of the western dam abutment and extension of the Petrova River surface diversion channel along the eastern side of the Kamenica River valley.

SRK notes, however, that to support the Ore Reserves, there is only a requirement for TSF 5.

Lynx Resources intends to commence pre-feasibility study level designs for TSF 5 immediately upon completion of TSF 4, to provide ample time for technical evaluations and permitting preparation.

The closure design for the active TSF 3.2 is detailed within the Waste Management Plan document which covers proposals for both tailings and waste rock. This document is required in accordance with applicable Regulations and the site Permit. The tailings closure design proposed in the Waste Management Plan is similar to that adopted for TSF 1 and comprises a layered cover system including (from the bottom up): waste rock cover; restoration soil layer; and vegetation. A similar arrangement is proposed for TSF 4.

One issue for the SASA Mine closure is the management of long-term water flows in the Kamenica River valley, currently and in the future, via the river diversion tunnel/culvert and surface water diversion channels. For the diversion tunnel, potential closure options are currently being evaluated by SASA Mine, in combination with the Faculty of Engineering, Skopje and SRK. The potential options being evaluated include:

- long-term maintenance of the existing diversion tunnel/culvert;
- maintaining the existing diversion tunnel but engineering bypass sections to replace culverts and ensure long-term flows are within the in-situ rock abutments; and
- relocating flow to surface, necessitating decommissioning (sealing) of the tunnel/culvert and engineering of an open diversion channel at surface.

7 WATER MANAGEMENT

The SASA Mine operations are situated within the Kamenica River watershed. The Kamenica River runs from northwest to southeast. Two smaller drainages connect to the Kamenica River upstream of the current mine operations, the Svinja River and the Kozje River. Both drainages contain legacy mine workings (and surface waste rock dumps), with adit discharges partially captured in pipelines and partially discharged to the rivers. Seepage from the old dumps also enters the rivers.

The process water intake structure is situated upstream of the confluence with the Kozje River. Downstream of the confluences of the Kozje and Svinja rivers, the Kamenica River is captured in a concrete diversion tunnel, which was historically constructed beneath TSF 1, TSF 2 and TSF 3.1, and then extended through the western abutment of TSF 3.2. The University of Skopje prepared a hydrologic and hydraulic analysis, the hydraulic model, prepared as part of the study, states that the existing diversion tunnel for the Saska River is equipped to convey the 10,000-year flood. Additional consideration may be required for the Probable Maximum Flood (“PMF”) event, specifically during closure.

The hydrogeology of the area has not been characterised by means of site specific hydrogeological testwork. Groundwater, other than the alluvial aquifer immediately below TSF 3.2, is not monitored. The existing water collection and pumping infrastructure is considered sufficient for management of groundwater entering the underground workings. While maintenance of existing infrastructure is required to effectively manage groundwater within the mine, SRK’s opinion is that no significant additional investment will be required.

A high-level water balance has been performed by Strength GEC in March 2017, evaluating potential for recycling of mine water in the process plant. The purpose of the water balance was to assess the potential for water recycling across the site. SRK understands, based on discussions while on site, that this balance is an initial step as part of an on-going flow monitoring programme to develop a more seasonally sensitive and refined understanding of water volumes across the site.

The balance suggests the TSF supernatant pond, as well as seepage collected at the TSF 3.2 dam toe and discharges from the Adit 830, be utilized in the plant and for dust suppression on tailings and dams. Improvements to the water balance should include a more detailed depiction of flows in the active and proposed TSF supernatant ponds, specifically examining freeboard limits and the capacity of the decant structure during extreme flood events.

SRK observed opportunities for improvement in the sample collection, handling, analytical suite and data processing aspects of the water quality monitoring. As part of the hydrogeological study outlined in the ESAP, SASA Mine is reviewing its sampling protocols.

8 ENVIRONMENTAL, SOCIAL AND PERMITTING

Lynx Resources maintains a permit register and this indicates the mine is fully permitted for continuing its current operations. Following completion of the requirements stipulated in its Permit for Alignment with the Operational Plan (an interim step in the Integrated Pollution Prevention and Control (IPPC) permit process), SASA Mine received its IPPC permit in October 2016. An Application for Changes to the IPPC permit was submitted in April 2017 (discussions currently in progress) requesting amendments to the permit for minor changes to the operation since March 2014. This application also included a formal request to amend the discharge limits in line with the Macedonian legislation for wastewater discharges, highlighting that the existing limits were created with reference to the Decree for Classification of Waters No 18/1999, which was applicable to in-stream surface water guidelines, and not for discharges of industrial wastewaters.

The mine has an environmental management system certified against ISO 14001:2015. There is also an environmental and social action plan (“ESAP”) developed with the aim of bringing the project into line with good international industry practice over the next three years. A review of the cyanide management practices was undertaken in March 2017 to evaluate current practices with the requirements laid out in the International Cyanide Management Code; procedural opportunities for improvement were identified and are being considered by SASA Mine.

The project reportedly enjoys good relations with the community of Kamenica, which owes its existence to the presence of the mine. It also appears that relationships with employees are good. Therefore, no material risks arising from the current informal management of social issues have been identified. Following on from community complaints regarding dust from the TSFs, additional sprinkler investments were made in 2016. Further plans are underway to increase the amount of sprinklers, evaluate other dust suppression techniques and increase dust monitoring in 2017. The ESAP includes a commitment to develop an air quality management plan to improve dust control at the site.

There is historical contamination arising from the historical mine workings and the associated mine residues (waste rock and tailings), in addition to historical contamination arising from the tailings emission in 2003, generated when the mine was under state ownership. According to the legal review, the current operators are not liable for any historical contamination. SRK notes that separating the effects of contamination from the historical mine workings above the mine site, and any new contamination generated by current operations, can be challenging. The ESAP recognises a potential opportunity to work with the State to find rehabilitation solutions to address the historical mine workings and associated mine residues upstream of the current mine as part of closure planning.

Improvements in water monitoring (both flow and quality) are currently being implemented as part of the ESAP. Options for further recycling of various water streams are being investigated as part of this. The available monitoring of water quality indicates:

- upstream of the mine, discharges from adits and seepage from waste rock dumps associated with the historical workings (not SASA Mine's responsibility) are contributing to exceedances of the Macedonian Category III environmental water quality standards;
- available data show the quality improves downstream indicating dilution and potentially natural buffering from the surrounding catchments; however, zinc and manganese exceed the Macedonian Category III environmental water quality standards as far as 5 km downstream of the site;
- there are occasional exceedances of the permitted discharge limit, though SRK notes these limits are currently subject to discussion with the regulator; these non-compliances are dealt with via a minor annual permit fee to the MEPP, which incorporates an annualised calculation for exceedances (fee has historically been approximately EUR5,000 per annum, and is expected to be of the same magnitude for calendar 2017); and
- groundwater in the alluvial aquifer downgradient of the TSFs indicates that the water is generally in compliance with drinking water quality standards and the Macedonian Category III environmental quality standards except for zinc.

With no pre-disturbance baseline water quality monitoring (because the mine is 50 years old) and no monitoring of reference sites in unimpacted catchments, the natural background contribution of the deposit on water quality cannot be confirmed and thus the impact of the mine over and above this natural contribution can also not be confirmed. SRK considers that the outcomes of the currently planned hydrology and biodiversity studies, as well as the improved water quality monitoring programme, are needed to confirm potential impacts. SRK also recognises this cannot be done in isolation, as significant contributions are arising from the historical workings that are not the responsibility of SASA Mine. There is, however, significant time in the LoMp before closure to improve the quality, type and quantity of input data, assess this with respect to downstream water user requirements and use this in further evaluating the need for long term water treatment.

In June 2017, SRK prepared a conceptual closure plan ("CCP"), which included a closure cost estimate for the operations with a ±50% level of accuracy. For the purposes of closure design, the CCP considered two potential methods for diversion of surface water flows upstream and in the catchment of the TSFs. These are summarised below as follows:

- Option 1 – Use of the existing river diversion channel to pass a portion of the storm water flows from the upstream catchment area only. In conjunction, a surface channel diversion will be constructed adjacent to the TSFs to divert calculated flows from the adjacent catchments.

- Option 2 – Construction of an entirely new network of surface water channels designed to pass the cumulative flow from all catchments. All surface water diversions, will be constructed on the surface and the river diversion channel will be decommissioned at closure.

Option 1 requires additional engineering work to prove that use of the existing underground river diversion is feasible. Option 2 represents the lowest risk option to the project at closure and relies upon a series of surface diversion channels to convey flows at closure. The conceptual costs estimated for both options is presented in Table ES 5.

Table ES 5: SASA Mine Closure Cost Summary

Closure Item	Option 1 Cost (EURm)	Option 2 Cost (EURm)
Plant and Surface Infrastructure Demolition	1.71	1.71
Tailings Cover Installation	2.03	2.03
Surface Water Diversion Features	6.92	19.84
Closure of Mine Portal	0.26	0.26
Adit and Tunnel Plugging and Grouting	0.19	0.29
WRD XVIa Removal and Rehabilitation	0.52	0.52
Passive Water Treatment Pond System	0.98	0.98
Post Closure Monitoring	1.15	1.15
Total Base Case Closure Cost	**13.77**	**26.79**

9 OCCUPATIONAL HEALTH & SAFETY

Since Lynx Resources took management of the SASA Mine, they committed to continually reduce the number and severity of injuries and harm to health. The historical safety performance was poor under the previous management however, in 2014 they commissioned a safety management initiative and the safety performance has improved significantly. The mine continues to implement the safety initiative programme under the new management with a goal to further improve the safety performance and culture at the operations.

An integrated health, safety and environment system at the mine, based on OHSAS 18001:2007, ISO 9001:2015, ISO 14001:2015, is audited annually by external parties; accreditation is maintained. Table ES 6 lists the number of Fatal and Lost Time Injuries incurred at SASA Mine since 2013.

Table ES 6: SASA Mine Fatal and Lost Time Injuries per year

Year	Fatal Injuries	Lost Time Injuries
2013	2	27
2014	0	11
2015	0	3
2016	0	6
H1 2017	0	0

10 CAPITAL AND OPERATING COSTS

The Capital and Operating cost estimates for the SASA Mine have been determined by Lynx Resources based on recent historical performance and the current 2017 budget for the mine, a summary of which is presented in Table ES 7.

Whilst capital expenditures are relatively stable, the cost of TSFs are more project based as new TSFs and associated infrastructure are constructed, notably historically during 2016 and H1 2017, and going forward during H2 2017 and 2018 (TSF 4), then assumed in 2025/2026 (TSF 5) and finally in 2033/2034 (TSF 6).

SRK has reviewed the operating and capital cost forecasts, and finds that these are sufficient to support the LoMp. No contingencies have been added to either forecast due to the nature of steady state production. Option 1 for site closure has been incorporated in the financial assessment.

Table ES 7: LoMp Forecast Capital and Operating Costs

	H2 2017	2018	2019	2020	2021	2022	2023-2027	2028-2037	2038	LoMp
Capital Expenditure (EURm)										
Capitalised Development	1.5	2.6	2.6	2.6	2.6	2.6	12.8	19.0		46.0
Mining Equipment	1.3	2.7	2.1	3.2	2.0	1.7	11.3	21.6		45.8
Flotation	0.9	1.0	0.7	0.8	0.8	0.7	3.3	5.5		13.9
Tailings	1.0	2.1	0.1	0.1	0.1	0.1	7.8	4.5		15.8
Other	0.6	0.7	0.7	0.7	0.7	0.7	3.5	6.6		14.2
Total	**5.3**	**9.1**	**6.1**	**7.3**	**6.2**	**5.8**	**38.7**	**57.2**		**135.7**
Operating Costs (EURm)										
Mining	5.9	11.9	11.9	11.9	11.9	11.9	59.4	134.3	-	258.9
Milling	3.5	7.2	7.2	7.2	7.2	7.2	36.0	70.7	-	144.8
G&A	1.8	3.6	3.6	3.6	3.6	3.6	17.9	36.9	-	75.7
Mine Closure	-	-	-	-	-	-	-	-	13.8	13.8
Total	**11.2**	**22.6**	**22.6**	**22.6**	**22.6**	**22.6**	**113.2**	**241.9**	**13.8**	**493.2**
Unit Operating Costs (EUR/t RoM)										
Mining	15.5	15.2	15.2	15.2	15.2	15.2	15.2	17.2	-	16.2
Milling	9.1	9.2	9.2	9.2	9.2	9.2	9.2	9.1	-	9.1
G&A	4.9	4.6	4.6	4.6	4.6	4.6	4.6	4.7	-	4.7
Mine Closure	-	-	-	-	-	-	-	-	-	0.9
Total	**29.5**	**29.0**	**29.0**	**29.0**	**29.0**	**29.0**	**29.0**	**31.0**	**-**	**30.9**

11 PROJECT ECONOMICS

11.1 Overview

SRK has prepared a financial model to evaluate the economics of:

- the Ore Reserves and
- the LoMp (including Inferred material).

Reporting at the mine is in EUR; however, the economic assessment has been carried out in USD. A constant exchange rate of 1.09 USD/EUR has been applied over the LoM. The financial model has been prepared in Microsoft Excel, in USD, in nominal money terms assuming a 2% annual inflation for both the Euro (“EUR”) and USD denominated costs.

A discounted cash flow has been prepared, on a post-tax basis. No financing terms are modelled except for the silver streaming agreement, which forms the basis of the reduced silver price included in the financial model. Lynx Resources’ payment terms have been taken into account in the model.

SRK has applied consensus market forecast prices for lead and zinc, sourced from Bloomberg as at 19 July 2017. The prices applied are the median of the forecasts of a range of analysts as compiled by Bloomberg. The silver price actually used in the financial model is as per the long-term streaming agreement, for the LoM. The streaming agreement included a price of USD5.0/oz of refined silver for the period up to 31 December 2016. In respect of each subsequent calendar year of the agreement, the fixed silver price in respect of the immediately preceding calendar year increased by a percentage equal to the lesser of inflation over the previous calendar year measured by the CPI Index and 3%. The financial model assumes a slightly more conservative approach, with the silver price only increasing after 2021 by the flat inflation of 2% per annum. The consensus market forecast silver price is only used to calculate the concession fee. The commodity prices are presented in Table ES 8.

Table ES 8: Bloomberg Consensus Commodity Prices (nominal)

	Units	Spot (19 July 2017)	2017	2018	2019	2020	2021
Zinc	(USD/t)	2,747	2,665	2,622	2,450	2,398	2,508
Lead	(USD/t)	2,217	2,205	2,150	2,200	2,250	2,300
Silver (CMF)	(USD/oz)	16.3	17.4	18.2	19.3	20.0	20.0
Silver (streaming agreement)	(USD/oz)		5.00	5.00	5.00	5.00	5.00

11.2 Cash Flow Model

The economic assessment presents a solid economic case, with a low risk of any production being cash flow negative. Net present values ("NPVs") are presented for different discount rates. The NPVs are a measure of economic viability of the operations. They do not constitute a project valuation. SRK notes that the LoMp case includes a proportion of Inferred Mineral Resources, to be mined from 2028 onwards. Table ES 9 presents the overall inputs and outputs of the financial model for the two cases modelled. At the base discount rate of 10%, the LoMp case reports an NPV of USD461m and the Ore Reserve reports an NPV of USD413m.

Table ES 9: Summary of the Cash Flow Model Assessment

	Unit	LoMp	Ore Reserve
Economic Output			
Revenue	(USDm)	2,056	1,467
Operating Costs	(USDm)	724	466
EBITDA	(USDm)	1,333	1,001
Capital Costs	(USDm)	180	127
Non-cash items (due to Ag streaming)	(USDm)	20	20
Working Capital	(USDm)	5	5
Corporate Income Tax	(USDm)	114	85
Net Free Cash (undiscounted)	(USDm)	1,024	773
NPV, discount rate:			
6.0%	(USDm)	610	518
8.0%	(USDm)	527	461
10.0%	**(USDm)**	**461**	**413**
12.0%	(USDm)	408	372
14.0%	(USDm)	364	337
16.0%	(USDm)	327	308
Net Smelter Return (Revenue)			
Pb Concentrate	(USDm)	1,418	937
Zn Concentrate	(USDm)	748	596
Treatment Charges			
Pb Concentrate	(USDm)	95	63
Zn Concentrate	(USDm)	87	69
Mining			
Tonnage	(kt)	15,979	10,927
Pb Grade	(%)	2.65%	3.08%
Zn Grade	(%)	3.73%	3.85%
Processing			
Tonnage	(kt)	15,979	10,927
Pb Grade	(%)	2.65%	3.08%
Zn Grade	(%)	3.73%	3.85%
Recovery			
Pb	(%)	94.0%	94.0%
Zn	(%)	84.5%	87.4%
Concentrate			
Pb Concentrate	(kt conc)	767	542
Pb Content	(kt metal)	560	395
Zn Concentrate	(kt conc)	725	598
Zn Content	(kt metal)	357	295
Operating Costs			
Mining	(USDm)	352	214
Processing	(USDm)	195	126
G&A	(USDm)	102	68
Mine Closure	(USDm)	23	21
Concession	(USDm)	53	38
Total	(USDm)	724	466
Capital Costs			
Capitalised Development	(USDm)	61	46
Mining Equipment	(USDm)	61	42
Flotation	(USDm)	18	13
Tailings	(USDm)	21	12
Other	(USDm)	19	13
Total	(USDm)	180	127

11.3 Sensitivity Analysis

SRK has considered the potential areas of risk to the project and has accordingly run sensitivities on the NPV. For this purpose, SRK has assumed a discount rate of 10% for the runs. SRK has tested the NPV sensitivity to operating, capital costs, and commodity prices. This is illustrated in Table ES 10 for the Ore Reserve case, and in Table ES 11 for the LoMp case. A sensitivity to the discount rate is already included under Table 13-2.

Table ES 10: Sensitivity Tables, Ore Reserve Case (NPV 10% discount rate, nominal)

Capital Cost							
Sensitivity	-5%	**0%**	5%	10%	15%	20%	25%
NPV (USDm)	416	**413**	410	407	403	400	397
Operating Cost							
Sensitivity	-5%	**0%**	5%	10%	15%	20%	25%
NPV (USDm)	422	**413**	403	394	385	376	367
Commodity Prices							
Sensitivity	-15%	-10%	-5%	**0%**	5%	10%	15%
NPV (USDm)	305	341	377	**413**	449	485	521

Table ES 11: Sensitivity Tables, LoMp Case (NPV 10% discount rate, nominal)

Capital Cost							
Sensitivity	-5%	**0%**	5%	10%	15%	20%	25%
NPV (USDm)	465	**461**	458	454	451	447	444
Operating Cost							
Sensitivity	-5%	**0%**	5%	10%	15%	20%	25%
NPV (USDm)	472	**461**	450	439	428	417	405
Commodity Prices							
Sensitivity	-15%	-10%	-5%	**0%**	5%	10%	15%
NPV (USDm)	338	379	420	**461**	503	544	585

12 MINERAL RESOURCE AND ORE RESERVE STATEMENT

The Ore Reserve estimate for the SASA Mine has been undertaken in accordance with the JORC Code (2012) guidelines and is stated in Table 14-1 as at 01 July 2017. The Ore Reserves are classified as Probable based on the current Mineral Resource classification of Indicated.

In line with reporting an Ore Reserve under the JORC Code (2012), SRK has prepared a financial model to test the economic viability of the Ore Reserve case, taking into account the various technical, operating cost, capital expenditure and corporate income tax parameters (excluding any debt of financing structures). The assessment demonstrates that the Ore Reserve is economically viable, with robust economics that remain positive when tested against appropriate increases in operating and capital costs, and changes in commodity prices.

Table ES 12: Statement of Mineral Resources and Ore Reserves for the SASA Mine at 01 July 2017

Category	Gross							Net Attributable							Operator
	Tonnage	Grade			Content			Tonnage	Grade			Content			
	(Mt)	Pb (%)	Zn (%)	Ag (g/t)	Pb (kt)	Zn (kt)	Ag (koz)	(Mt)	Pb (%)	Zn (%)	Ag (g/t)	Pb (kt)	Zn (kt)	Ag (koz)	
Ore Reserves															
Proved															
Svinja Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Golema Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal Proved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Probable															
Svinja Reka	10.9	3.85	3.08	18.4	421	337	6,447	10.9	3.85	3.08	18.4	421	337	6,447	
Golema Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal Probable	10.9	3.85	3.08	18.4	421	337	6,447	10.9	3.85	3.08	18.4	421	337	6,447	
Total Reserves	**10.9**	**3.85**	**3.08**	**18.4**	**421**	**337**	**6,447**	**10.9**	**3.85**	**3.08**	**18.4**	**421**	**337**	**6,447**	Rudnik “SASA” DOOEL
Mineral Resources															
Measured															
Svinja Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Golema Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal Measured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Indicated															
Svinja Reka	13.3	4.59	3.68	22.0	611	490	9,403	13.3	4.59	3.68	22.0	611	490	9,403	
Golema Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal Indicated	13.3	4.59	3.68	22.0	611	490	9,403	13.3	4.59	3.68	22.0	611	490	9,403	
Inferred															
Svinja Reka	2.7	3.16	2.08	16.6	84	56	1,426	2.7	3.16	2.08	16.6	84	56	1,426	
Golema Reka	7.4	3.69	1.52	18.6	273	112	4,424	7.4	3.69	1.52	18.6	273	112	4,424	
Subtotal Inferred	10.1	3.55	1.67	18.1	357	168	5,849	10.1	3.55	1.67	18.1	357	168	5,849	
Total Resources	**23.4**	**4.14**	**2.81**	**20.3**	**968**	**658**	**15,252**	**23.4**	**4.14**	**2.81**	**20.3**	**968**	**658**	**15,252**	Rudnik “SASA” DOOEL

Source: CP Mineral Resources – Guy Dishaw, CP Ore Reserves - Chris Bray

Table of Contents

List of Tables

List of Figures

List of Technical Appendices

SRK Consulting (UK) Limited
5th Floor Churchill House
17 Churchill Way
City and County of Cardiff
CF10 2HH, Wales
United Kingdom
E-mail: enquiries@srk.co.uk
URL: www.srk.co.uk
Tel: + 44 (0) 2920 348 150
Fax: + 44 (0) 2920 348 199

A COMPETENT PERSONS' REPORT ON THE SASA LEAD-ZINC MINE, REPUBLIC OF MACEDONIA

1 INTRODUCTION

1.1 Background

SRK Consulting (UK) Limited ("SRK") is an associate company of the international group holding company, SRK Consulting (Global) Limited (the "SRK Group"). SRK was requested by Central Asia Metals PLC ("CAM", hereinafter also referred to as the "Company" or the "Client") to undertake technical due diligence in respect of the "Mineral Assets" (defined below) of Lynx Resources Ltd and in addition to prepare a Competent Persons' Report ("CPR") in accordance with the AIM Rules (as defined below).

Lynx Resources Ltd is a private company, registered in Bermuda, which was established by Fusion Capital and Orion Mine Finance Group to acquire the SASA lead-zinc mine in Macedonia in November 2015. Lynx Resources manages its interests through its wholly owned subsidiary, Rudnik "SASA" DOOEL ("SASA Mine"). The Mineral Assets which are the subject of the CPR are the SASA lead-zinc mine (the "SASA Mine"), in the Former Yugoslav Republic of Macedonia ("Macedonia").

CAM proposes to acquire the SASA Mine through the acquisition of Lynx Resources Ltd.

For the 12-month period ended 31 December 2016, Lynx Resources reported the following key operating statistics for the Mineral Assets: saleable products comprising: 39,507 dmt Pb concentrate and 45,548 dmt Zn concentrate from 782,823 dmt mined and 779,231 dmt processed. For the first 6 months of 2017 ("H1 2017") these statistics are: 20,301 dmt Pb concentrate and 21,719 dmt Zn concentrate from 391,043 dmt mined and 392,257 dmt processed.

The current Life of Mine Plan ("LoMp") (starting H2 2017, limited to end-2037) assumes ore production of 15.98 Mt ore to the process plant, with saleable products comprising 357.2 kt Zn in concentrate, 559.8 kt Pb in concentrate and 6,949 koz Ag in concentrate.

SRK has been informed that the Company is intending to publish an AIM Admission Document in connection with the proposed acquisition of the SASA Mine and seek readmission of the Company's shares on the London Stock Exchange's Alternative Investment Market ("AIM") as required under the AIM Rules and that as part of this it is required to include a report on the SASA Mine.

This report is addressed to Central Asia Metals PLC, its Nominated Advisor, Peel Hunt LLP and its financial advisor J.P. Morgan Securities PLC. SRK understands that this report will be included as part of an AIM admission document to be published by CAM (the "Admission Document"). For the purposes of the AIM Rules for Companies, SRK is responsible for this report as part of the Admission Document and declares that it has taken all reasonable care to ensure that the information contained in this report is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import and no material change has occurred from 1 July 2017 to 22 September 2017 that would require any amendment to the CPR. SRK consents to the inclusion of this report, and reference to any part of this report, in the Admission Document.

This CPR presents the following key Technical Information as at the Effective Dates (defined below):

- Mineral Resource and Ore Reserve statements reported in accordance with the terms and definitions of the JORC Code (2012) (defined below, section 1.2);
- an opinion on the reasonableness of the technical-economic inputs into the LoMp, specifically: saleable production, operating expenditure and capital expenditure (hereinafter the "Technical Economic Parameters" or "TEPs");
- an opinion on the reasonableness of the environmental liabilities; and
- a summary of the key technical risks and opportunities.

Certain units of measurements, abbreviations and technical terms are defined in the glossary at the end of this CPR. Unless otherwise explicitly stated all quantitative data as reported in this CPR are reported on a 100% basis.

1.2 Reporting Compliance, Reporting Standard and Reliance

1.2.1 Reporting Compliance

SRK has been informed by the Company that the AIM Admission Document is to be prepared in accordance with the following which together comprise the "Requirements":

- The "*Note for Mining and Oil & Gas Companies, June 2009*" (the "Mining Note"): including, and without limitation, the CPR will comply with the content requirements of Appendix 2 and include the summaries set out in Appendices 1 and 3, and SRK accepts responsibility for the CPR in accordance with Schedule 2(a) and paragraphs 1.1 and 1.2 of Annex 1 and paragraphs 1.1 and 1.2 of Annex III of the AIM Rules and consents to its inclusion in the Admission Document; and
- The AIM Rules for Companies, July 2016 published by the London Stock Exchange (the "AIM Rules") – specifically Rule 3 relating to Admission Documents and including the Annexes to the AIM Rules.

Notwithstanding the above, the Company has voluntarily mandated SRK to prepare this CPR which is published in accordance with the appropriate Reporting Standard (defined below) and given the permitted time, focuses solely on the following key items: the updates (by depletion) to the 2016 and 2017 Mineral Resource and Ore Reserve Statements, the reasonableness of the technical and economic inputs to the LoMp, the determination of environmental liabilities and the key technical risks and opportunities relating to the Mineral Asset (collectively the "Technical Information").

1.2.2 Reporting Standard

The Reporting Standard adopted for reporting of the recent Mineral Resource and Ore Reserve Statements for the Mineral Assets in this CPR is that defined by the terms and definitions given in *"The 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the Joint Ore Reserves Committee of the*

Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia" (the "JORC Code (2012)"). SRK confirms that the JORC Code (2012) has been aligned with the Committee for Mineral Reserves International Reporting Standards ("CRIRSCO") reporting template.

1.2.3 Reliance on SRK

The CPR is addressed to and may be relied upon by the Directors of the Company and Peel Hunt LLP and J.P. Morgan Securities PLC in support of the proposed readmission, specifically in respect of compliance with the Requirements, the Reporting Standard and as appropriate the AIM Rules.

SRK is responsible for this CPR and for all of the technical information that has been directly extracted from the CPR and reported in the Admission Document to be released by the Company in connection with the readmission and to be dated around the same date as the CPR.

SRK declares that it has taken all reasonable care to ensure that the information contained in the CPR and included in the Admission Document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

In accordance with the AIM Rules SRK confirms that the presentation of information contained elsewhere in the Admission Document which relates to information in the CPR is accurate, balanced and not inconsistent with the CPR.

SRK believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinions presented in this CPR. The preparation of a CPR is a complex process and does not lend itself to partial analysis or summary.

SRK has no obligation or undertaking to advise any person of any development in relation to the Mineral Assets which comes to its attention after the date of this CPR or to review, revise or update the CPR or opinion in respect of any such development occurring after the date of this CPR.

1.3 Base Technical Information Date, Effective Date and Publication Date

The base technical information date, and the effective date of the CPR is 01 July 2017 (the "Effective Date"). The Mineral Resource and Ore Reserve Statements and the Technical Information have been prepared as at the Effective Date in reliance on:

- the Mineral Resource statement as prepared by SRK with a base date of 1 July 2017 (depleted from the prior 30 October 2016 statement by mining production surveys);
- the Ore Reserve statement as prepared by SRK with a base date of 1 July 2017;
- the LoMp as developed by Lynx Resources as at 01 January 2017, updated to start at 1 July 2017 (aligned with the Mineral Resource as depleted to 1 July 2017; and
- the Environmental Liabilities as established by the final closure cost estimate.

As advised by Lynx Resources, as at the publication date 22 September 2017 of this CPR (the "Publication Date") no material change has occurred since the Effective Date. This includes, inter alia, no material change to the Mineral Resource and Ore Reserve Statements or the Technical Information as reported in this CPR.

1.4 Verification and Validation

SRK has conducted a review (which specifically excludes independent verification by means of re-calculation) and assessment of all material technical issues likely to influence the Technical Information included in the LoMp and the associated TEPs, which included the following:

- Inspection visits to Lynx Resources' mining and processing facilities and associated infrastructure at the SASA Mine undertaken by six consultants over an elapsed period of two weeks commencing 06 March 2017;
- Enquiry of key project and head office personnel of Lynx Resources during H1 2017 in respect of the Mineral Assets, the LoMp and the associated TEPs and other related matters;
- An examination of historical information for the financial reporting periods ended 31 December 2007 through to 31 December 2016, and the six months ending 30 June 2017 of Lynx Resources; and
- An examination, review and where appropriate identification of the key technical risks and opportunities as they relate to the Technical Information reported herein.

SRK has also assessed the reasonableness of the commodity price assumptions as currently assumed in the projections for inclusion in the Mineral Resource and Ore Reserve Statements and the TEPs as incorporated in the LoMp and all other Technical Information reported herein.

Accordingly, Lynx Resources has provided technical data to SRK for the purpose of this review and inclusion in the CPR. SRK confirms that it has performed all necessary validation and verification procedures deemed necessary and/or appropriate by SRK in order to place an appropriate level of reliance on such technical information.

In presenting the Mineral Resource and Ore Reserve Statements, TEPs and other technical information as reported in this CPR the following apply:

- Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce Ore Reserves; that is, they are reported on an 'inclusive basis'; and
- Commodity long-term price assumptions as included in the LoMp and reported in Lynx Resources' Financial Model.

1.5 Limitations, Reliance on Information, Declaration, Consent and Cautionary Statements

1.5.1 Limitations

Ore Reserve estimates are based on many factors and are derived from estimates of future technical factors, operating and capital expenditures, product prices and the exchange rate between various currencies and the United States Dollar ("USD"). The Ore Reserve estimates contained in this report should not be interpreted as assurances of the economic life of the Mineral Assets. As Ore Reserves are only estimates based on the factors and assumptions described herein, future Ore Reserve estimates may need to be revised. For example, if production costs increase or product prices decrease, a portion of the current Mineral Resources, from which the Ore Reserves are derived, may become uneconomical to recover and would therefore result in lower estimated Ore Reserves. Furthermore, should any of the assumed factors change, the Mineral Resource and Ore Reserve Statements, the TEPs and the Technical Information as reported herein may need to be revised and may well result in lower estimates.

The Mineral Resource and Ore Reserve Statements, the TEPs, and the Technical Information rely on assumptions regarding certain forward-looking statements. These forward-looking statements are estimates and involve a number of risks and uncertainties that could cause actual results to differ materially.

The achievability of the projections of TEPs as included in this CPR and incorporated into the LoMp for the Mineral Assets are neither warranted nor guaranteed by SRK. The projections as presented and discussed herein have been proposed by Lynx Resources' management and cannot be assured; they are necessarily based on economic assumptions, many of which are beyond the control of Lynx Resources.

Future cashflows and profits derived from such forecasts are inherently uncertain and actual results may be significantly more or less favourable.

Unless otherwise expressly stated all the opinions and conclusions expressed in this CPR are those of SRK.

1.5.2 Reliance on Information

SRK has relied upon the accuracy and completeness of technical, financial and legal information and data furnished by or through Lynx Resources.

Lynx Resources has confirmed to SRK that, to its knowledge, the information provided by it (when provided) was complete and not incorrect or misleading in any material respect. SRK has no reason to believe that any material facts have been withheld.

Whilst SRK has exercised all due care in reviewing the supplied information, SRK does not accept responsibility for finding any errors or omissions contained therein and disclaims liability for any consequences of such errors or omissions.

SRK's assessment of Mineral Resources and Ore Reserves, TEPs and the LoMp for the Mineral Assets is based on information provided by Lynx Resources throughout the course of SRK's investigations, which in turn reflect various technical and economic conditions prevailing at the date of this report. In particular, the Ore Reserves, the TEPs and the LoMp are based on expectations regarding the commodity prices and exchange rates prevailing at the Effective Date of this CPR. These TEPs can change significantly over relatively short periods of time. Should these change materially the TEPs could be materially different in these changed circumstances.

This CPR specifically excludes all aspects of legal issues, marketing, commercial and financing matters, insurance, land titles and usage agreements, and any other agreements and/or contracts Lynx Resources may have entered into.

This CPR includes technical information, which requires subsequent calculations to derive subtotals, totals and weighted averages. Such calculations may involve a degree of rounding and consequently introduce an error. Where such errors occur, SRK does not consider them to be material.

1.5.3 Declaration

SRK will receive a fee for the preparation of this report in accordance with normal professional consulting practices. This fee is not dependent on the findings of this CPR and SRK will receive no other benefit for the preparation of this CPR. SRK does not have any pecuniary or other interests that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Ore Reserves, the TEPs, the LoMp for the Mineral Assets and the projections and assumptions included in the various technical studies completed by Lynx Resources, opined upon by SRK and reported herein.

Neither SRK nor the Competent Persons (as identified under Section 1.7, below) who are responsible for authoring this CPR, nor any Directors of SRK have at the date of this report, nor have had within the previous two years, any shareholding in the Company, the Mineral Assets, Peel Hunt LLP, J.P. Morgan Securities PLC, Lynx Resources, or any other economic or beneficial interest (present or contingent) in any of the assets being reported on. SRK is not a group, holding or associated company of the Company, Peel Hunt LLP, J.P. Morgan Securities PLC, or Lynx Resources. None of SRK's partners or officers are officers or proposed officers of any group, holding or associated company of the Company.

Further, no Competent Person involved in the preparation of this CPR is an officer, employee or proposed officer of the Company or any group, holding or associated company of the Company, Peel Hunt LLP, J.P. Morgan Securities PLC, and Lynx Resources.

Consequently, SRK, the Competent Persons and the Directors of SRK consider themselves to be independent of the Company, its directors, senior management, Peel Hunt LLP, J.P. Morgan Securities PLC, and Lynx Resources.

In this CPR, SRK provides assurances to the Board of Directors of the Company, Peel Hunt LLP, and J.P. Morgan Securities PLC, in compliance with the Reporting Standard that the Ore Reserves, the TEPs, including production profiles, operating expenditures and capital expenditures of the Mineral Assets as provided to SRK by Lynx Resources and reviewed and, where appropriate, modified by SRK are reasonable, given the information currently available.

1.5.4 Consent

In Compliance with the AIM Rules, SRK will give its written consent to the inclusion of this CPR in the AIM Admission Document and all of the information to be contained in the AIM Admission Document which has been extracted directly from this CPR.

1.5.5 Disclaimers and Cautionary Statements for US Investors

This CPR uses the terms *"Mineral Resource"*, *"Measured Mineral Resource"*, *"Indicated Mineral Resource"* and *"Inferred Mineral Resource"*. U.S. investors and shareholders in the Company are advised that while such terms are recognised and permitted under JORC Code (2012) and the Requirements, the U.S. Securities and Exchange Commission ("SEC") does not recognise them and strictly prohibits companies from including such terms in SEC filings.

Accordingly, U.S. investors and shareholders in the Company are cautioned not to assume that any unmodified part of the Mineral Resources in these categories will ever be converted into Ore Reserves as such term is used in this CPR.

1.6 Indemnities provided by the Company

The Company has provided the following indemnity to SRK:

- In order to assist SRK in the preparation of this CPR the Company may be required to receive and process information or documents containing personal information in relation to SRK's project personnel. The Company has agreed to comply strictly with the provisions of the Data Protection Act 1998 of the United Kingdom ("DPA 1998") and all regulations and statutory instruments arising from the DPA 1998, and the Company will indemnify and keep indemnified SRK in respect of all and any claims and costs caused by breaches of the DPA 1998.

1.7 Qualifications of Consultants and Competent Persons

The SRK Group comprises over 1,400 staff, offering expertise in a wide range of resource engineering disciplines with 45 offices located on 6 continents. The SRK Group prides itself on its independence and objectivity in providing clients with resources and advice to assist them in making crucial judgment decisions. For SRK this is assured by the fact that it holds no equity in either client companies/subsidiaries or mineral assets.

SRK has a demonstrated track record in undertaking independent assessments of resources and reserves, project evaluations and audits, Competent Persons' Reports, Mineral Resource and Ore Reserve Compliance Audits, Independent Valuation Reports and independent feasibility evaluations to bankable standards on behalf of exploration and mining companies and financial institutions worldwide. SRK has also worked with a large number of major international mining companies and their projects, providing mining industry consultancy service inputs. SRK also has specific experience in commissions of this nature.

This CPR has been prepared based on a technical and economic review by a team of consultants sourced from SRK's offices in the United Kingdom. These consultants have extensive experience in the mining and metals sector and are members in good standing of appropriate professional institutions. The consultants comprise specialists in the fields of: geology and resource estimation; mining engineering and ore reserves; mining geotechnical engineering; hydrogeology/hydrology; waste and tailings engineering; geochemistry; water management; environmental and social; occupational health and safety and financial evaluation (hereinafter the "Technical Disciplines").

The Mineral Resource Estimate ("MRE") and report was undertaken by SRK UK, and the Competent Person is Mr Guy Dishaw, BSc, who is a full-time employee of and Principal Consultant (Resource Geology) at SRK. Mr Dishaw is a Professional Geoscientist registered with the Association of Professional Engineers and Geoscientists of Saskatchewan, a 'Recognised Overseas Professional Organisation' ("ROPO") included in a list promulgated by the Australian Stock Exchange ("ASX") from time to time. Mr Dishaw has 17 years' experience in the mining and metals industry and also has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012). The full Mineral Resource Report has been prepared separately to this CPR and a summary is presented in Section 3.

The Competent Person who has reviewed the Ore Reserves and the LoMp as reported by Lynx Resources is Mr Chris Bray, BEng, MAusIMM (CP), who is a full-time employee of and Principal Consultant (Mining) at SRK. He is a Member of and Chartered Professional in the

Australasian Institute of Mining and Metallurgy, a ROPO. Mr Bray is a Mining Engineer with 20 years' experience in the mining and metals industry, including operational experience in underground lead-zinc mines, and as such qualifies as a Competent Person as defined in the JORC Code (2012). He has also been involved in the reporting of Ore Reserves on various properties internationally for over 10 years.

The Competent Person who has overall responsibility for the CPR is Mr Richard Oldcorn, MSc, CGeol, who is a Corporate Consultant and Managing Director of SRK. He is a Fellow of the Geological Society of London and a Chartered Geologist, a ROPO. Mr Oldcorn has 27 years' experience in the mining and metals industry and also has been involved in the preparation of Competent Persons' Reports comprising technical evaluations of various mineral assets internationally during the past five years, which is relevant to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012).

Table 1-1 provides a summary of the designated Competent Persons and other key contributors for completion of this CPR.

Neither SRK nor the authors of this report are qualified to provide comment on any legal issues associated with the SASA Mine. Assessment of these aspects has relied on information provided by Lynx Resources and its advisors, and has not been independently verified by the authors.

The technical work and economic modelling for the Ore Reserve estimate has been completed by Lynx Resources and other third-party consultants with SRK working in an independent review capacity.

Table 1-1: Competent Persons and Other Experts

List of Competent Persons					
Competent Person	**Position / Company**	**Responsibility**	**Independent of Rudnik SASA DOOEL**	**Date of Last Site Visit**	**Professional Designation**
Guy Dishaw	Principal Consultant (Resource Geology), SRK Consulting (UK) Ltd	Mineral Resources Estimate	Yes	January 2017	BSc, P.Geo
Christopher Bray	Principal Consultant (Mining), SRK Consulting (UK) Ltd	Ore Reserve Estimate	Yes	March 2017	BEng, MAusIMM(CP)
Richard Oldcorn	Corporate Consultant (Due Diligence), SRK Consulting (UK) Ltd	Overall CPR	Yes	March 2017	BSc, MSc, CGeol
Other Experts who assisted the Competent Persons					
Expert	**Position / Company**	**Responsibility**	**Independent of Rudnik SASA DOOEL**	**Date of Last Site Visit**	**Professional Designation**
Neil Marshall	Corporate Consultant (Geotechnical Engineering), SRK Consulting (UK) Ltd	Geotechnical Assessment	Yes	July 2017	CEng, MSc (DIC), MIMMM
Dr David Pattinson	Corporate Consultant (Minerals Processing & Metallurgy), SRK Consulting (UK) Ltd	Mineral Processing Review	Yes	March 2017	PhD, CEng, MIMMM, BSc
Richard Martindale	Principal Consultant (Geotechnical and Tailings Engineering), SRK Consulting (UK) Ltd	Tailings Management Review	Yes	February 2016	CEng, BSc, MSc, MCSM, MIMMM, FGS
Carl Williams	Senior Consultant (Geochemistry), SRK Consulting (UK) Ltd	Geochemistry Review	Yes	March 2017	MSc BEng, Grad MCIWEM
Fiona Cessford	Corporate Consultant (Environment), SRK Consulting (UK) Ltd	Environmental & Social Review	Yes	March 2017	BSc, MSc, Pr.Sci.Nat.
Samantha Barnes	Consultant (Hydraulic Engineering), SRK Consulting (UK) Ltd	Water Management Review	Yes	March 2017	BSc, BESc,
Jamie Spiers	Senior Consultant (Tailings and Closure), SRK Consulting (UK) Ltd	Conceptual Closure Cost Estimate	Yes	none	BSc, MSc
Inge Moors	Senior Consultant (Mineral Economics), SRK Consulting (UK) Ltd	Financial Model Review	Yes	none	MSc, MAusIMM

2 THE MINERAL ASSETS

2.1 Ownership Structure and Acquisition History

On 03 November 2015 it was announced that the Orion Mine Finance Group ("Orion") had purchased the Mineral Assets from the Solway Investment Group ("Solway Group"). Orion partnered with Fusion Capital AG (a privately-owned company focused on the acquisition, financing and management of base metals mining operations) to establish Lynx Resources Ltd to acquire the SASA Mine (via its wholly owned subsidiary Lynx Europe SPLLC Skopje). SASA Mine is operated by Rudnik SASA DOOEL, a wholly owned subsidiary of Lynx Resources Ltd. Sales of concentrate are undertaken by Lynx Mining Limited. It is proposed that the Company acquires Lynx Resources Ltd.

2.2 Previous work by SRK at SASA Mine and SRK Site Visits for the CPR

SRK has undertaken a number of historical commissions at SASA Mine both for the current and previous owners, including:

- 2006 – Budget and Life of Mine Plan;
- 2006 – Mineral Resource Estimate;
- 2010 – Technical Review to improve operational efficiency;
- 2012 – Due diligence for a third party;

- 2014 – Safety Review;
- 2016 – Geotechnical assessment of underground conditions and support quality, plus geotechnical analysis to support design of underground excavations and support requirements;
- 2016 – Independent Technical Review of the Mineral Assets in support of Lynx Resources' acquisition of the SASA Mine;
- 2016 – Update Mineral Resource Estimate of the Svinja Reka and Golema Reka deposits to form the basis of the updated LoMp by Lynx Resources; and
- April 2017 - Conceptual Closure Plan and Cost Estimate.

A number of site visits were undertaken during February and March 2016 by the SRK Competent Persons for the purposes of the Independent Technical Review and Ore Reserve Assessment in 2016, covering geotechnical, tailings and mining (as listed in Section 2.2). For the Mineral Resource Estimate, SRK's Competent Person visited the mine from 26 September to 11 October 2016 and 24 January to 28 January 2017, as reported in full in the 2016 MRE report.

For this CPR, SRK's technical experts and Competent Persons visited the site between 07 and 08 March 2017 (mining, metallurgy and processing, and the project manager) and between 14 and 15 March 2017 (environment and social, water management, and geochemistry). The remaining disciplines, geotechnical and tailings, were reviewed on a desktop basis following on from the visits in 2016, with additional update input from the Project Manager, who undertook the site visit in 2017. A recent site visit was undertaken by the geotechnical expert in July 2017.

2.3 The SASA Mine

A summary of the Mineral Assets is included in Table 2-1. SRK notes that whilst the current exploration licence expires on 13 December 2017, the application for renewal is already in progress. SRK has every reason to expect that the licence will be renewed as a matter of course within the allowable 12-month period following the expiry of the licence.

Table 2-1: Summary Table of Mineral Assets

Asset	Holder	Interest	Status	Licence expiry date	Licence area	Comments
SASA Mine, Macedonia	Rudnik SASA DOOEL	100%	Production	28 September 2030	4.22 km^2	Current annual run of mine production is 780 kt, producing lead and zinc concentrates.
SASA Mine, Macedonia	Rudnik SASA DOOEL	100%	Exploration	Expires on 13 December 2017[1)]	1.42 km^2	

1) For further details regarding the renewal status refer to Section 2.5.

The SASA Mine (Figure 2-1 and Figure 2-2) is located in northeastern Macedonia, approximately 150 km east of the capital city of Skopje and 10 km to the north of the town of Makedonska Kamenica (pop. 5,147) which lies in the southern foothills of the Osogovo Mountains, near Lake Kalimanci at an altitude of about 500 m.

The Mineral Assets comprise an operating underground lead-zinc mine and flotation plant which allows for the production of separate zinc and lead concentrates. Concentrates are currently transported by truck for treatment in smelters in the surrounding region. There is also the possibility to transport concentrates by truck to nearby ports for shipping to overseas customers. The mine workings are situated in the Osogovo Mountains with an elevation range of approximately 975 to 1,600 m above sea level. Surrounding mountains rise to 2,030 m around the SASA Mine and the average annual precipitation is approximately 600 mm.

The climate is subject to Continental and Mediterranean influences, with hot dry summers and cold winters. The majority of rainfall is during the spring and autumn and occasionally there are heavy snowfalls on the mountains, rarely in the valleys, from December to February.

The mine operates 24 hours a day, 7 days a week with 3 x 8 hour working shifts in both the underground mine and process facilities. The underground mine is scheduled on 362 working days a year and the process facilities are scheduled on 365 working days per year. The total number of operational employees at the mine during H1 2017 was 683, with 352 working in the mining operation and 71 in the process flotation facilities.

Figure 2-3 shows an aerial view of the mine and surface infrastructure, with the project licence boundary and underground infrastructure superimposed. Figure 2-4 shows the mine and processing surface infrastructure in relation to the existing underground access.

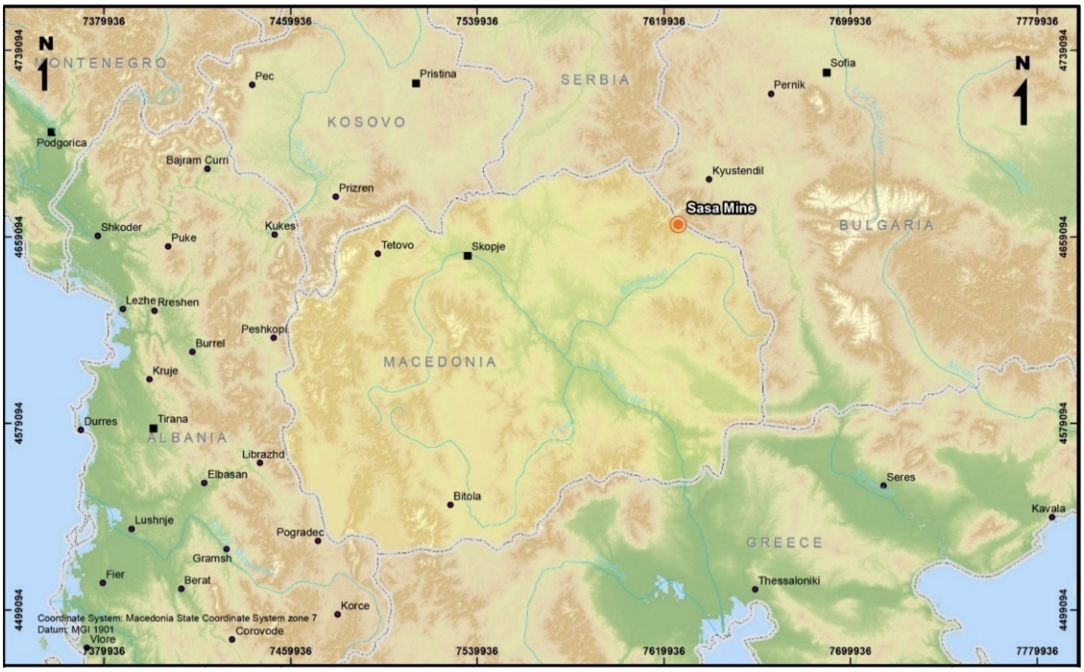


Figure 2-1: SASA Mine location in Macedonia and wider Balkans region

Figure 2-2: SASA Mine location

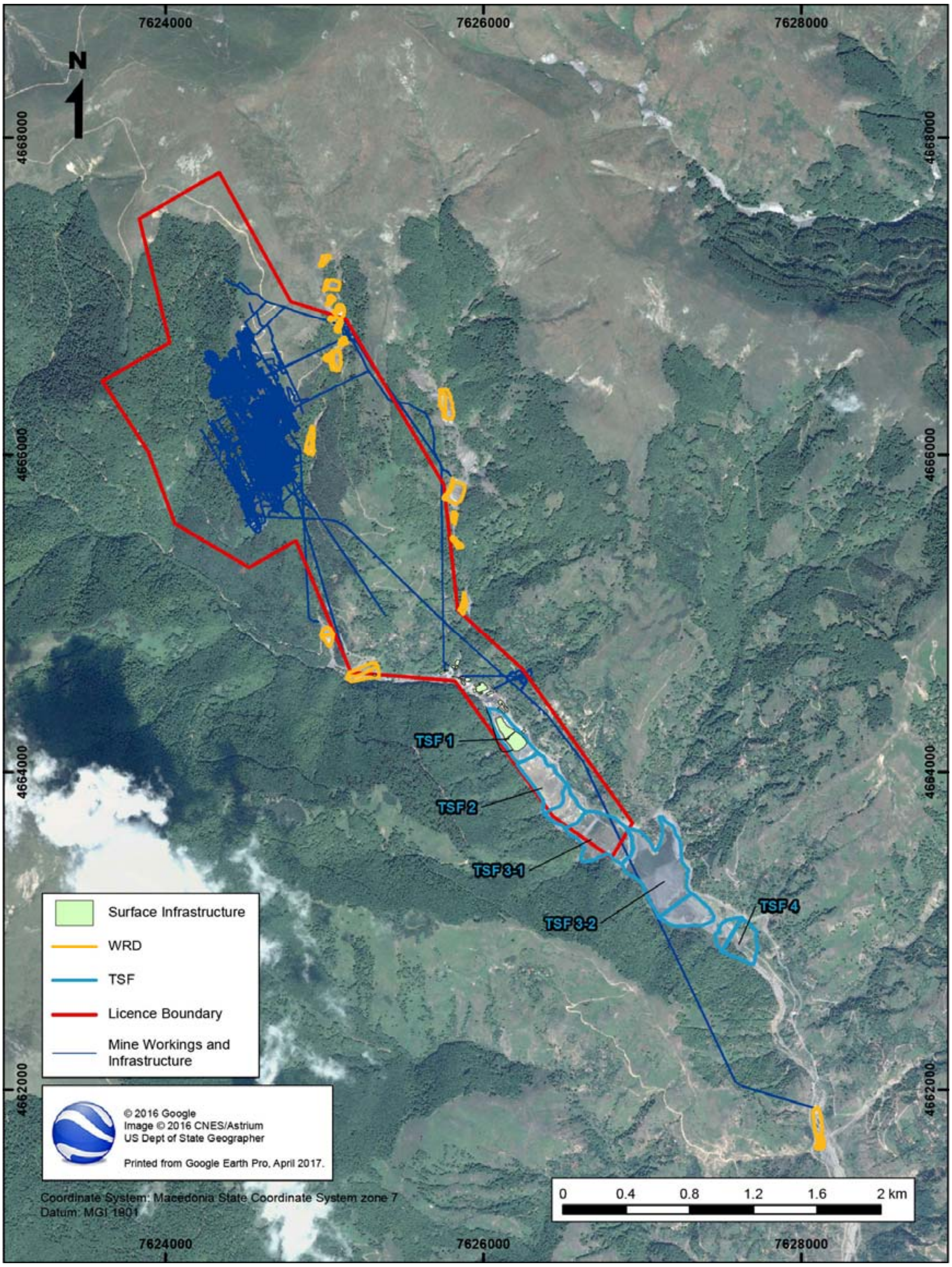


Figure 2-3: Aerial view showing layout of the SASA Mine site and facilities

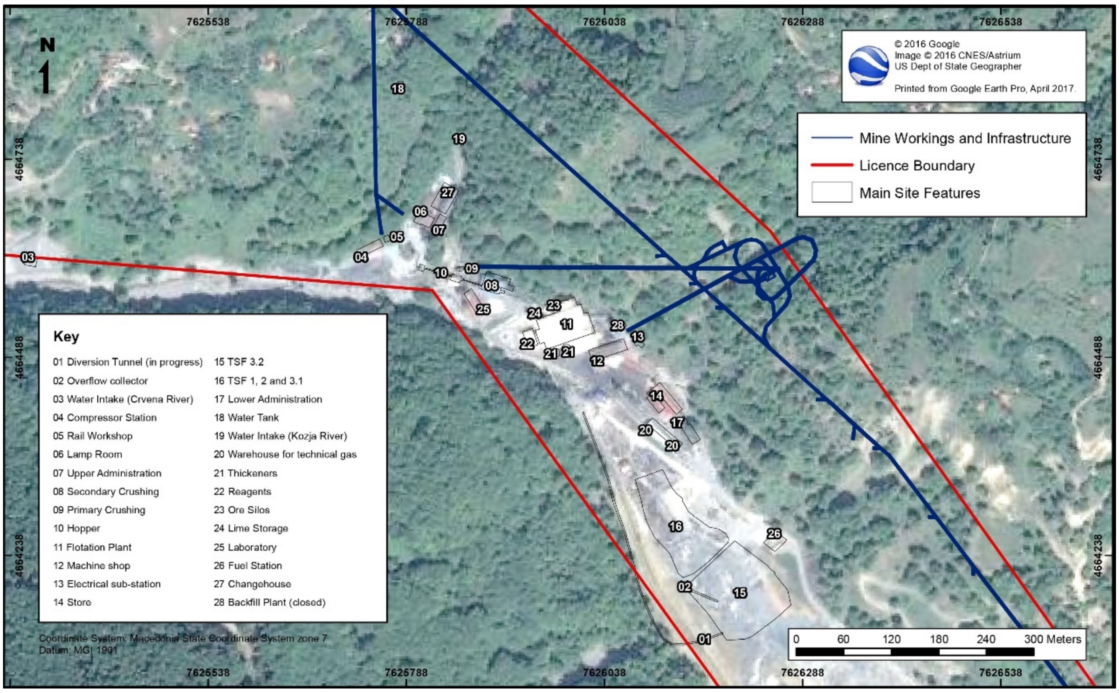


Figure 2-4: SASA Mine Layout

2.4 Historical Mining

The initial mining and geological surveys of the Osogovo Mountains' ore-bearing massif and the SASA Mine locality date from 1954. The period between 1954 and 1960 was a period of exploration and the mine construction took place between 1960 and 1965. In November 1965, the mine was opened for trial processing with a projected production capacity of 0.3 Mtpa of lead-zinc ore.

The SASA Mine commenced operation from 1966 as a state-owned entity. During the 1990s, ore production levels at SASA Mine were roughly 0.5 Mtpa and, in 2002, the mining and milling operation was shut down due to lack of operating capital on the part of the Macedonian government, which owned the mine. Subsequently, the mine was put into bankruptcy and closed. The Solway Group subsequently purchased the mine and operations were restarted in 2006.

Table 2-2 provides a summary of the recent annual mine and processing production at the SASA Mine and Table 2-2 provides a breakdown of the historical workforce and management at the mining operation.

Table 2-2: Historical Production at the SASA Mine

Description	Units	2010	2011	2012	2013	2014	2015	2016	H1 2017
Mine Performance									
Total Ore Mined	(kt wet)	838	788	784	807	809	806	807	402
	(kt dry)	809	759	753	777	780	780	783	391
Lead grade	(% Pb)	4.05	3.83	3.93	4.13	4.16	4.04	3.95	4.01
Zinc grade	(% Zn)	3.81	3.43	3.35	3.47	3.48	3.52	3.41	3.20
Process Plant Performance									
Ore Processed	(kt wet)	840	787	785	804	809	803	803	404
	(kt dry)	811	758	754	774	780	777	779	392
Lead grade	(% Pb)	4.05	3.83	3.93	4.13	4.16	4.04	3.95	4.01
Zinc grade	(% Zn)	3.81	3.43	3.35	3.47	3.48	3.52	3.41	3.20
Lead Concentrate									
Lead Concentrate	(kt dry)	41.3	37.1	38.0	41.0	41.6	40.2	39.5	20.3
Lead Recovery	(%)	94.4	95.1	94.4	94.4	94.5	94.1	94.1	94.6
Lead Grade	(% Pb)	75.15	74.32	73.64	73.62	73.73	73.51	73.29	73.29
Zinc Grade	(% Zn)	2.82	2.66	2.43	2.59	2.59	2.86	2.71	2.56
Lead Contained	(kt)	31.0	27.6	28.0	30.2	30.7	29.5	29.0	14.9
Zinc Concentrate									
Zinc Concentrate	(kt dry)	52.8	44.6	43.1	46.2	46.9	47.2	45.5	21.7
Zinc Recovery	(%)	86.0	86.6	86.2	86.3	86.5	85.8	84.6	85.6
Lead Grade	(% Pb)	1.13	1.05	1.08	1.06	1.33	1.64	1.33	1.10
Zinc Grade	(% Zn)	50.36	50.56	50.51	50.14	50.13	49.78	49.43	49.45
Zinc Contained	(kt)	26.6	22.5	21.8	23.2	23.5	23.5	22.5	10.7

Table 2-3: Workforce and Management

Workforce and Management	Units	2010	2011	2012	2013	2014	2015	2016	H1 2017
Mining	(each)	400	394	385	388	367	364	361	352
Processing	(each)	67	68	69	69	71	71	73	71
Administration	(each)	59	59	67	68	77	80	79	82
Other	(each)	142	141	134	137	146	144	147	147
Laboratory	(each)	26	27	27	27	28	30	30	31
Total	**(each)**	**694**	**689**	**682**	**689**	**689**	**689**	**690**	**683**

2.5 Mineral Tenement and Land Tenure Status

SRK has not reviewed the various agreements (regulatory or third party) relating to mineral rights, surface freeholds, mining authorisations, prospecting licences, exploration licences, claims or other such tenements or titles from a legal perspective. Consequently, SRK has relied on advice by Lynx Resources to the effect that Lynx Resources is entitled to mine all material falling within their respective mineral rights and/or mining rights and that all necessary statutory mining authorisations and permits are in place.

Mineral exploration and exploitation in Macedonia is governed by the State law on Mineral Resources of the Former Yugoslav Republic of Macedonia (Br.132 Gazette of RM/2013) and titles to the SASA Mine exploration and exploitation concessions are held by Rudnik SASA DOOEL.

The concessions were granted following a public auction by the Ministry of Economy and the current areas are shown against the modelled mineralisation in Figure 2-5.

The exploitation concession (24-5550/1) covers an area of 4.22 km^2 and comprises sub-areas labelled by year, which relate to expansions of previous licence boundaries. The current exploitation concession was most recently issued to Lynx Resources on 13 November 2014 and is valid until 28 September 2030, with the possibility of extending for another 30 years.

The exploration concession (24-4971/1) covers an area of 1.42 km^2 and was most recently issued to Lynx Resources on 13 December 2013 and expires on 13 December 2017. Lynx Resources is currently in the process of applying to renew the exploration concession. A study detailing the results of exploration between 2013 and 2017 is going to be submitted by October 2017, and following revision of the study by the Geological Department of the Ministry of Economy, Lynx Resources will apply for an extension of the mining concession to include the current exploration concession area. Once this extended mining concession is approved, a new application for an exploration concession area will be submitted. Lynx Resources has 12 months from the date of expiration in which to complete the applications for both the extension of the mining concession and the new exploration concession.

The boundaries of the exploitation and exploration concessions are defined in the Gauss-Krüger coordinate system (Hermannskogel datum) and are listed in Table 2-4 and Table **2-5**, respectively. SRK notes that 12% of the Inferred Mineral Resources of the Svinja Reka deposit fall outside the current exploitation licence, but within the exploration licence. A total of 2.1 Mt of material is to be mined at Svinja Reka from the Inferred category from 2029 to 2034, 12% of which corresponds to only 0.25 Mt of material outside the exploitation licence area. SRK notes that there is potential to extend the mine life by further defining and potentially extending the Svinja Reka and Golema Reka resources at depth, and by delineating and quantifying extents of the Kozja Reka deposit, combined with further licence extensions, and that such studies are ongoing or planned.

Environmental Permits are issued by the 'Ministry of Environment and Physical Planning' and are referred to in Section 9.4 of this CPR.

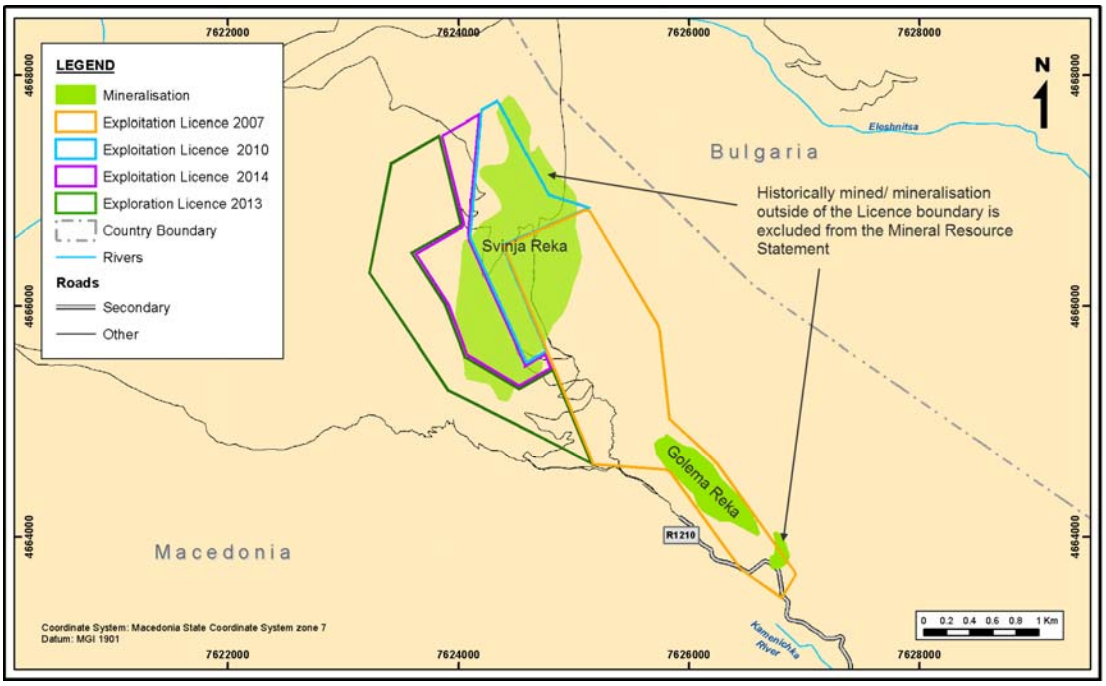


Figure 2-5: Current SASA Mine Licence Boundaries with mineralisation wireframes

Table 2-4: SASA Mine Exploitation Concession 24-5550/1 Boundary Corner Points

Corner Beacon	Easting	Northing
1	7626807	4663459
2	7626437	4663720
3	7625821	4664573
4	7525167	4664627
5	7624820	4665460
6	7624526	4665291
7	7624058	4665567
8	7623888	4666020
9	7623602	4666461
10	7624027	4666706
11	7623836	4667490
12	7624200	4667700
13	7624339	4667778
14	7524786	4666967
15	7625131	4666857
16	7625750	4665811
17	7625838	4665023
18	7626248	4664647
19	7626938	4663678

Table 2-5: SASA Mine Exploration Concession 24-4971/1 Boundary Corner Points

Corner Beacon	Easting	Northing
1	7625167	4664627
2	7624820	4665460
3	7624526	4665291
4	7624058	4665567
5	7623888	4666020
6	7623602	4666461
7	7624027	4666706
8	7623836	4667490
9	7623408	4667246
10	7623221	4666287
11	7623905	4665272

2.6 Historical Resource and Reserve Estimates

2.6.1 Introduction

SASA Mine is required to undertake reporting of Reserves in accordance with the Macedonian State Reporting System every four years. The State Reporting for the SASA Mine is prepared by a local institute ‘GEOENGINEERING-M DOOEL SKOPJE’ and was last completed as at 01 April 2015, consisting of five Elaborates (Volumes).

A number of historical Mineral Resource estimates, in accordance with the JORC guidelines, have been completed by international consulting groups (SRK in 2006, Wardell Armstrong in 2011 and Mineral Resource Advisors (“MRA”) in 2015), which are summarised in Section 2.6.3 below.

It is noted that the full reports for all historic Mineral Resource and Reserves statements need to be read in order to understand the background and context of the estimates.

2.6.2 Macedonian State Reporting System

Classification and categorisation of State Reserves is defined by the Macedonian Law for mineral raw materials (Official Gazette of the Republic of Macedonia no. 24/07, 88/08, 52/09, 6/2010, 158/2010, 53/2011, 136/2011, 136/2012 and 132/2013).

Reserves of solid minerals from categories A, B and C1, depending on possibility of their use, are classified as In-balance and Off-balance reserves. Resources in categories C2, D1, and D2 are not classified as reserves.

In-balance reserves of minerals are classified parts of the resource which can be extracted cost effectively using existing methods, technology, and market prices. The level of profitability of the exploitation and processing of the In-balance reserves must be in accordance with generally accepted economic and social criteria, and can be different for alternative mineral types. The share of In-balance reserves of categories A, B and C1, and notwithstanding, the reserves of category C2, it is necessary to determine the sequence of development which depends on the type of mineralisation.

When determining the In-balance reserves of the base resource, all additional mineral components in the deposit are assessed. The estimated In-balance reserves of mineral are reduced for losses in exploitation to determine Exploitation Reserves.

The State regulations limit drilling densities of 50 x 50 m for reserves of A category, 70 x 70 m for reserves of B category and 100 x 100 m for reserves of C1 category. In drawing the contours of the reserves of B category interpolation procedures are applied between boreholes' mineral intercepts and extrapolation for up to 1/4 of the projected distance between the investigative works for B category. For reserves of C1 category, extrapolation goes up to 1/3 of the projected distances between the investigations for C1 category (Appendix no. 90-119 and 120-205).

The State Resource Estimate for SASA Mine as at 01 April 2015 is provided below in Table 2-6 and the State Reserve Estimate (excluding C2 resources) is provided in Table 2-7. It should be noted that the State Reserve Estimate is factored from the Vulcan block model managed at the SASA Mine which has had modifying factors applied. It should be noted that silver grade estimates are not provided in the State Resource and Reserve tables, although silver grades have been estimated in the JORC Mineral Resource Statement prepared by SRK (Section 3).

Table 2-6: State Resource Estimate for the SASA Mine as at 01 April 2015

State Resource Classification	Tonnage	Metal Grade		Metal Content	
	(Mt)	(% Pb)	(% Zn)	(kt Pb)	(kt Zn)
B	9.27	5.19	4.24	481.1	392.8
C1	4.21	5.16	3.53	217.3	148.5
B + C1	**13.47**	**5.18**	**4.02**	**698.4**	**541.4**
C2	2.11	3.66	2.07	77.2	43.6
Total (B + C1 +C2)	**15.58**	**4.98**	**3.75**	**775.6**	**585.0**

Table 2-7: State Reserve Estimate for the SASA Mine as at 01 April 2015

State Resource Classification	Tonnage	Metal Grade		Metal Content	
	(Mt)	(% Pb)	(% Zn)	(kt Pb)	(kt Zn)
B	9.28	4.66	3.90	432.5	361.9
C1	4.04	4.60	3.60	185.8	145.4
Total (B + C1)	**13.32**	**4.64**	**3.81**	**618.3**	**507.3**

The State Resource and Reserve estimates are revised every four years; however, the mine keeps annual records (as at 01 January) of the inventory movement for each of the reserve classifications, taking into account depletion from mine production and additions from exploration. Figure **2-6** shows the annual State Resource mineral inventory (at the start of each year) for each classification (B+C1+C2) for the last 5 years, which includes both the Svinja Reka and Golema Reka deposits. Figure **2-7** shows the annual State Resource inventory of contained metal tonnes (lead and zinc) at the SASA Mine for the B, C1 and C2 classifications. Figure **2-8** shows the annual State Reserve inventory of contained metal tonnes (lead and zinc) at the SASA Mine for the B and C1 classifications only.

These graphs indicate that there has been a reasonable overall replacement of the annual mined State Reserve tonnages until 01 January 2016. The State Reserve inventory tonnages reduced by a minor amount between 2016 and 2017; however, they are still higher than five years ago due to ongoing exploration replacing mined tonnes.

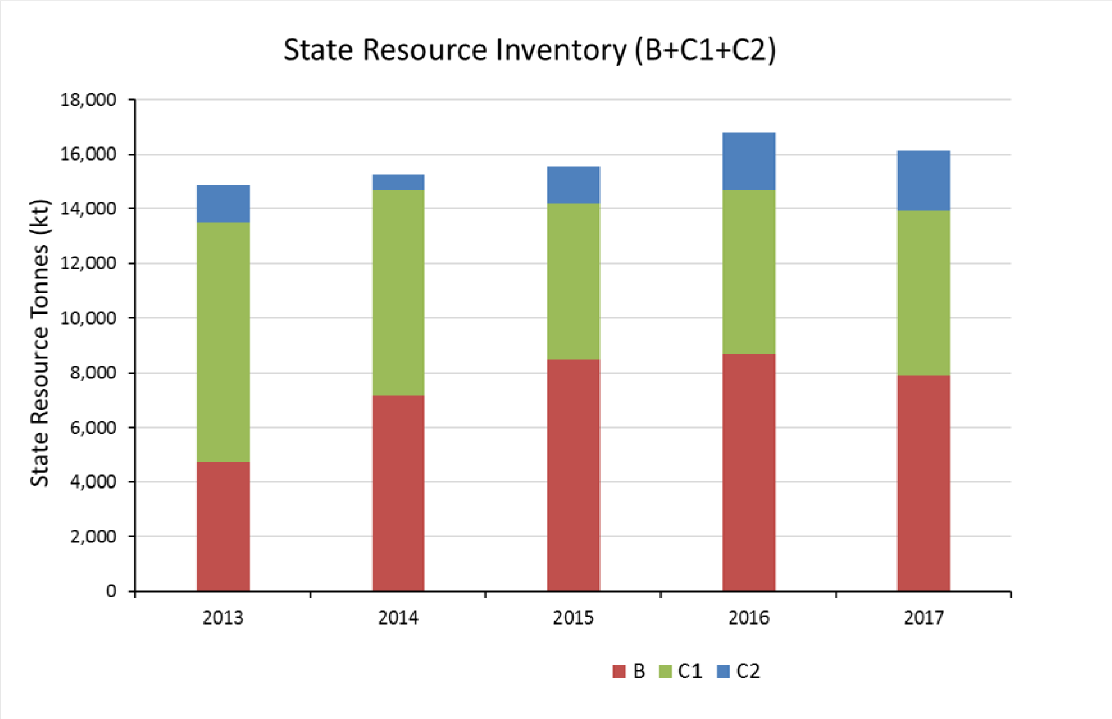


Figure 2-6: State Resource – Mineral Inventory Tonnes

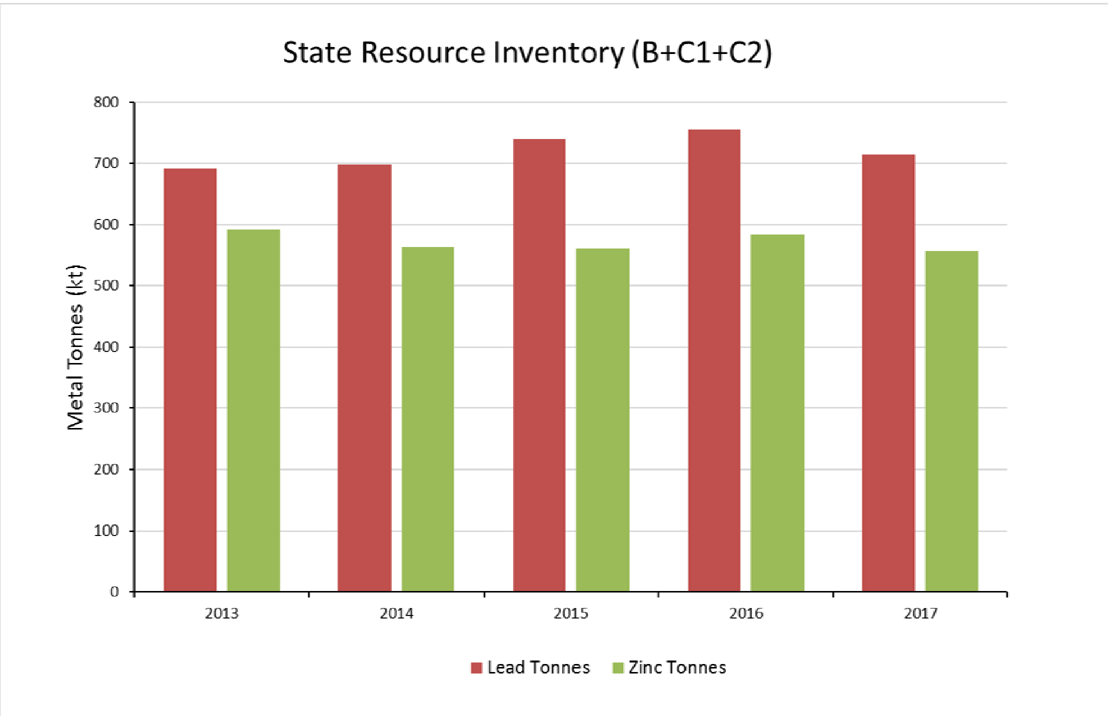


Figure 2-7: State Resource Inventory – Metal Tonnes (B+C1+C2)

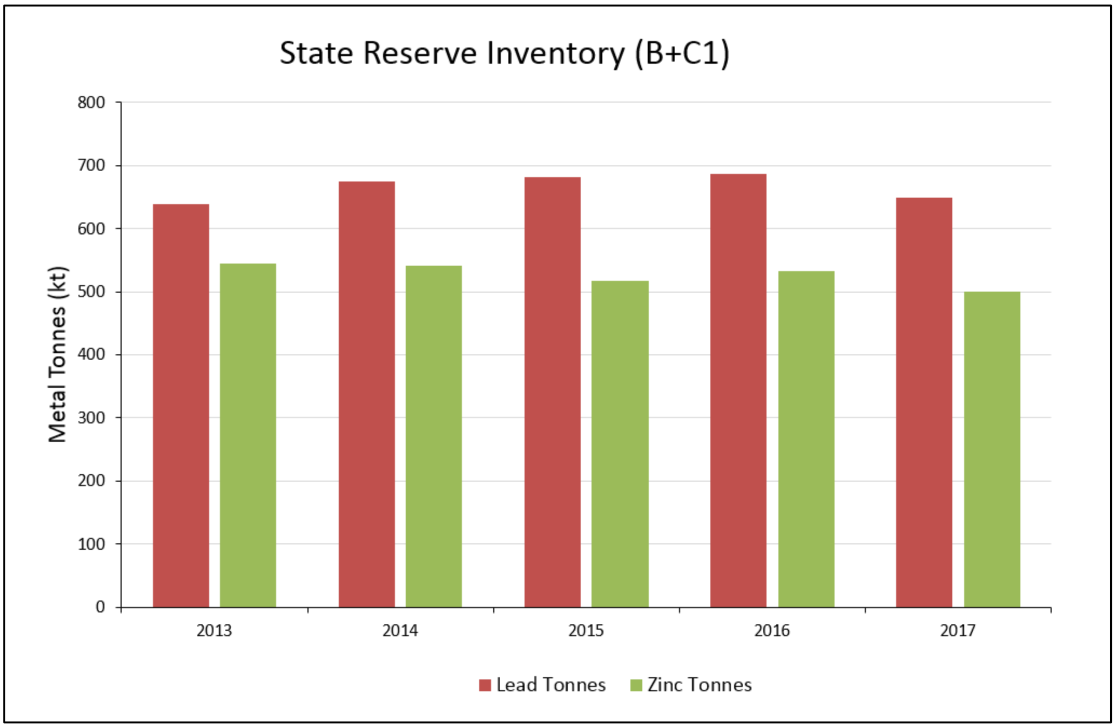


Figure 2-8: State Reserve Inventory – Metal Tonnes (B+C1)

2.6.3 Historical International Mineral Resource Estimates

As mentioned above, a number of Mineral Resource estimates have historically been undertaken at the SASA Mine in accordance with the JORC guidelines as follows:

- SRK Consulting (UK) Ltd completed individual, JORC Code (2004) compliant, Mineral Resource Estimates of the Svinja Reka and Golema Reka deposits in October 2006.
- A Mineral Resource estimate compliant with the JORC Code (2004) was completed by Wardell Armstrong as at October 2011 with separate tables reported at cut-off grades of 2% and 4% Pb+Zn as shown in Table 2-8 and Table 2-9, respectively. It should be noted that approximately 10% of the resource tonnage was outside of the licence boundary at the time of the estimate.
- In 2015, an updated Mineral Resource Estimate was completed by MRA and classified in accordance with the JORC Code (2012) for Measured, Indicated and Inferred categories at the Svinja Reka deposit only. SRK reviewed this MRE for inclusion into the 2016 Independent Technical Report ("ITR") prepared by SRK for SASA Mine. The Mineral Resource Statement shown in Table 2-10 is reported above a cut-off grade of 2% Pb+Zn and represents the position as at 01 October 2015.

Table 2-8: Mineral Resource Estimate (Cut-off grade 2.0% Pb+Zn) for the SASA Mine as at October 2011 (Wardell Armstrong)

Mineral Resource Classification	Tonnage	Metal Grade		Metal Content	
	(Mt)	(% Pb)	(% Zn)	(kt Pb)	(kt Zn)
Measured	1.16	5.03	4.88	58.2	56.4
Indicated	3.42	5.05	4.64	172.7	158.7
Measured + Indicated	**4.58**	**5.05**	**4.70**	**230.9**	**215.1**
Inferred	15.12	5.14	4.04	777.4	611.0
Total (M+I+I)	**19.69**	**5.12**	**4.19**	**1,008.3**	**826.2**

Table 2-9: Mineral Resource Estimate (Cut-off grade 4.0% Pb+Zn) for the SASA Mine as at October 2011 (Wardell Armstrong)

Mineral Resource Classification	Tonnage	Metal Grade		Metal Content	
	(Mt)	(% Pb)	(% Zn)	(kt Pb)	(kt Zn)
Measured	1.14	5.07	4.92	57.9	56.2
Indicated	3.36	5.11	4.70	171.6	157.8
Measured + Indicated	**4.50**	**5.10**	**4.75**	**229.4**	**214.0**
Inferred	14.88	5.19	4.08	772.9	607.2
Total (M+I+I)	**19.39**	**5.17**	**4.24**	**1,002.3**	**821.2**

Table 2-10: Statement of Mineral Resources for Svinja Reka Deposit at 01 October 2015 (MRA)

Mineral Resource Classification	Tonnage	Metal Grade			Metal Content		
	(Mt)	(% Pb)	(% Zn)	(g/t Ag)	(kt Pb)	(kt Zn)	(t Ag)
Measured	-	-	-	-	-	-	-
Indicated	14.29	4.81	3.79	22.2	687	542	326
Inferred	3.53	3.84	3.23	19.8	136	114	68
Total (M+I+I)	**17.82**	**4.61**	**3.68**	**20.9**	**822**	**656**	**393**

3 GEOLOGY AND MINERAL RESOURCES REVIEW

3.1 Introduction

SRK's Mineral Resource Estimation report is contained in the Report "Mineral Resource Estimate on the SASA Mine Lead, Zinc and Silver Operation, Macedonia, October 2016". This section is a summary of the key findings of that study.

SRK was commissioned by SASA Mine to prepare an update of the MRE on the SASA Mine, comprising the Svinja Reka and Golema Reka deposits.

SRK prepared this October 2016 update based on selective infill drilling completed at the Svinja Reka deposit between November 2015 and October 2016, underground mapping and a 3-dimensional ("3D") modelling approach using the Leapfrog Geo software. The deposit has been modelled using the Gauss-Krüger coordinate system (Hermannskogel datum).

The Mineral Resource Statement presented herein has an effective date of 1 July 2017 and is signed off by Guy Dishaw, P.Geo., a Competent Person in accordance with the JORC Code.

3.2 Geological Setting and Mineralisation

3.2.1 Geology of the Serbo-Macedonian Massif

The Svinja Reka and Golema Reka lead-zinc-silver deposits lie within the Serbo-Macedonian Massif (Figure 3-1) which extends through Serbia, Macedonia, Bulgaria, and eastern Greece into Turkey and hosts a number of lead-zinc deposits. This massif comprises metamorphic rocks of Precambrian, Cambrian and Palaeozoic ages, within which lower and upper complexes have been recognised. The lower complex consists of rocks subjected to amphibolite facies metamorphism, consisting of mica-gneiss, mica schist, amphibolite, quartzite, marble and migmatite. The upper complex consists primarily of volcano-sedimentary rocks, metamorphosed to greenschist facies and consisting of chlorite shales, chlorite-amphibolite, chlorite-sericite and quartz-shales. The metamorphic rocks were intruded by granitoid complexes during several geological epochs, controlled by regional structure.

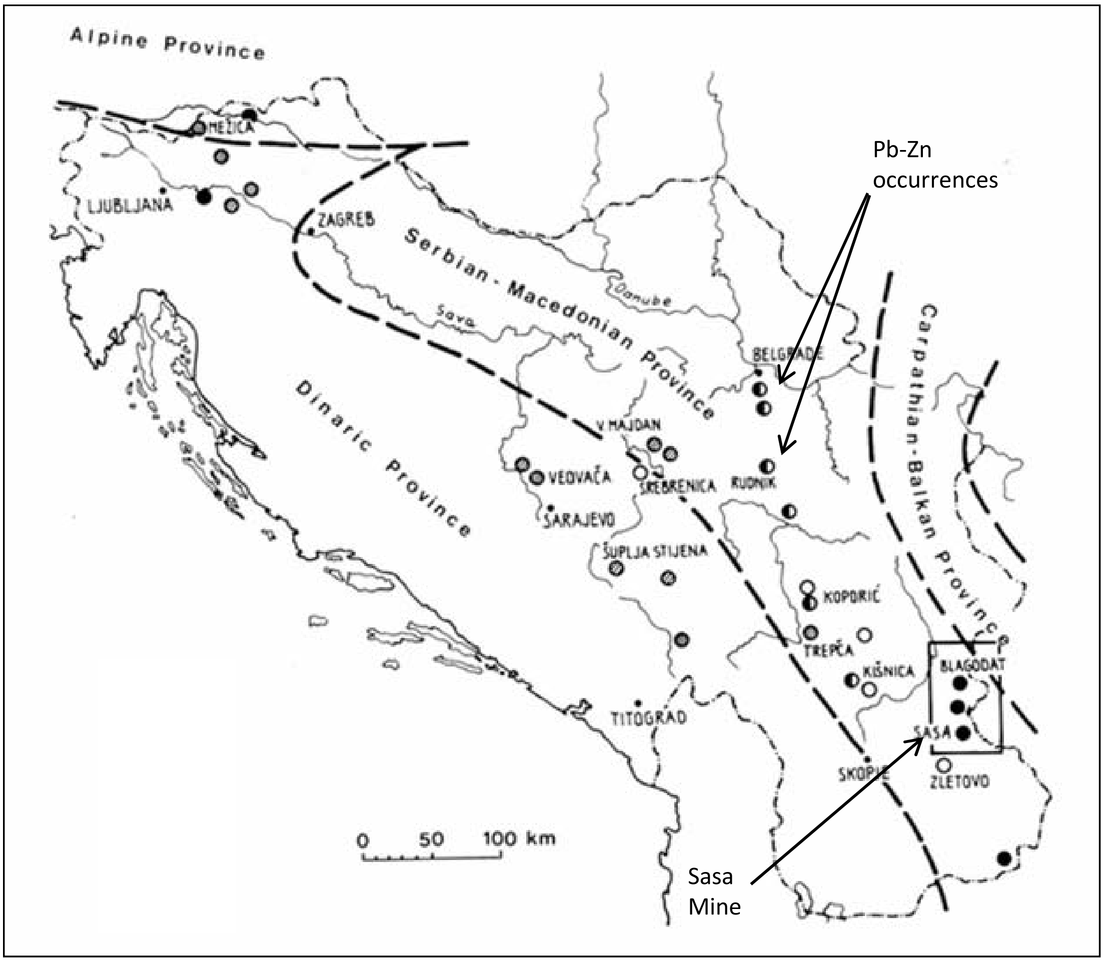


Figure 3-1: Serbian-Macedonian ore province (modified form Tufar and Strucl, 1984)

3.2.2 Geology of the SASA Mine Project

The Svinja Reka and Golema Reka deposits are located on the eastern flank of an intermediate intrusive complex and related porphyry Cu-Mo system at Osogovo (Figure 3-2), likely of late Oligocene to early Miocene age. A northwest striking stockwork alteration zone, with a footprint of approximately 4 km^2, is developed at Osogovo comprising intensely altered, coarse quartz latites to quartz monzonites, gneissic-intrusion breccias, and fine grained aphyric igneous rocks.

Lead-zinc-silver mineralisation at the SASA Mine occurs as bedding concordant (stratiform) deposits hosted predominantly by quartz-graphite schist and marbles of Lower Palaeozoic age (Figure 3-3) at Svinja Reka and by gneisses at Golema Reka. The mineralisation is considered to relate to the intrusion of Tertiary volcanics (27-24 Ma) into Precambrian gneisses and Palaeozoic schist and marble of the Serbo-Macedonian massif (Peltekovski et al 2012). High-temperature hydrothermal fluids and bedding-parallel faulting are responsible for metasomatism of the (Mn-bearing) host sediments producing skarn (calc-silicate minerals including calcite, actinolite, chlorite and epidote) and base metal mineralisation (Serafimovski et al. 2006).

The well-defined, partially exploited, lenses of lead-zinc-silver mineralisation dip at approximately 35° to the south-west and typically range in true thickness from between 2 to 30 m. The mineralised lenses are present in parallel sheets (typically two or three bodies, namely the hanging wall, central and footwall orebodies), separated by an interburden with thicknesses of 1 to 10 m. The lenses pinch and swell along strike and down-dip. Figure 3-4 illustrates lateral continuity of the mineralised zone despite tight kink folding, rapid thinning and thickening along strike, with the presence of barren marble lenses concentrated where the zone thickens approaching a fold nose and in general at the margins of the mineralised lenses.

The Svinja Reka and Golema Reka deposits are considered to be metasomatic skarn-hydrothermal deposits (Peltekovski et al. 2012) with replacement and bedding-parallel fault controlled mineralisation. The skarns occur in the form of replacement of marble, whereas the hydrothermal lead-zinc-silver mineralisation appears as replacements and as open-space fillings. The skarn association has a characteristic zonal structure and contains calc-silicate minerals (Fe-Mn-pyroxenes, Fe-Mn-pyroxenoids, garnets, ilvaite, epidote), magnetite, pyrite and pyrrhotite. The hydrothermal association, which is superimposed onto the skarn assemblages, contains argentiferous galena, sphalerite, pyrite and minor chalcopyrite (Palinkas et al. 2013).

In addition to Svinja Reka and Golema Reka, there exists a third deposit at SASA Mine, Kozja Reka, which is located between the two main deposits and was mined historically between 1966 and 1989 and for which some historical drilling data exist (Figure 3-2 and Figure 3-3). Kozja Reka has not been included in recent MREs, nor is it included in the 2016 MRE by SRK, but is currently the focus of planning for an underground diamond drilling programme for potential future resource reporting.

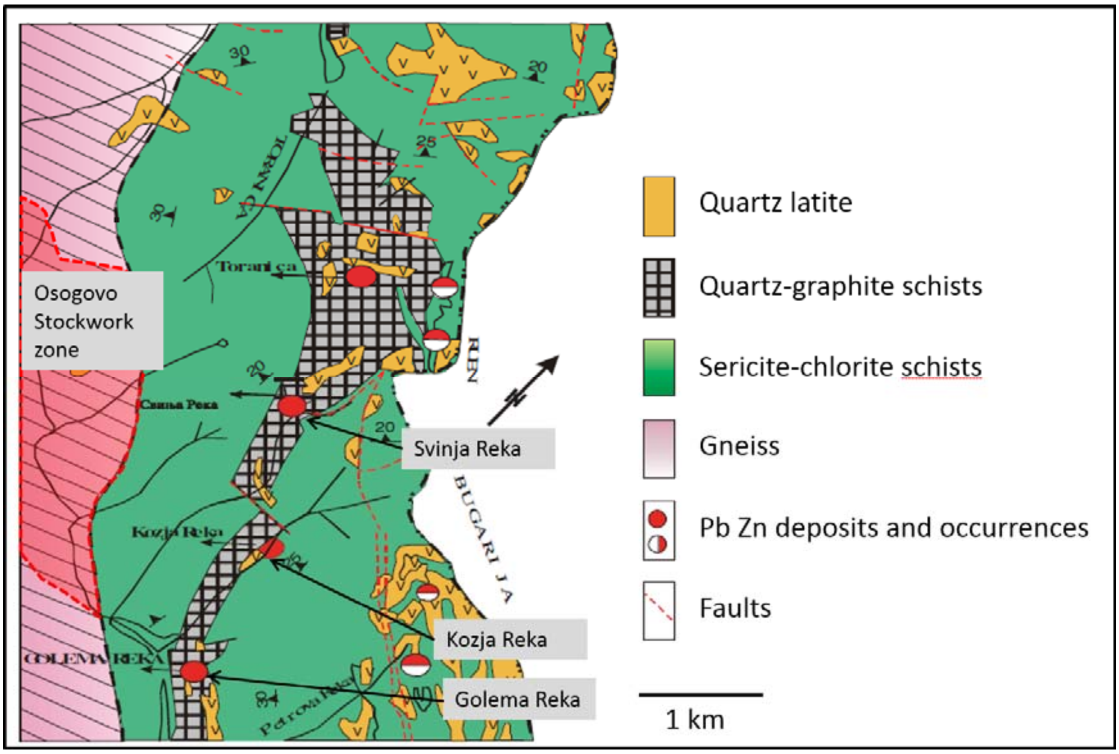


Figure 3-2: Osogovo Region Geological Map (modified from MRA 2016)

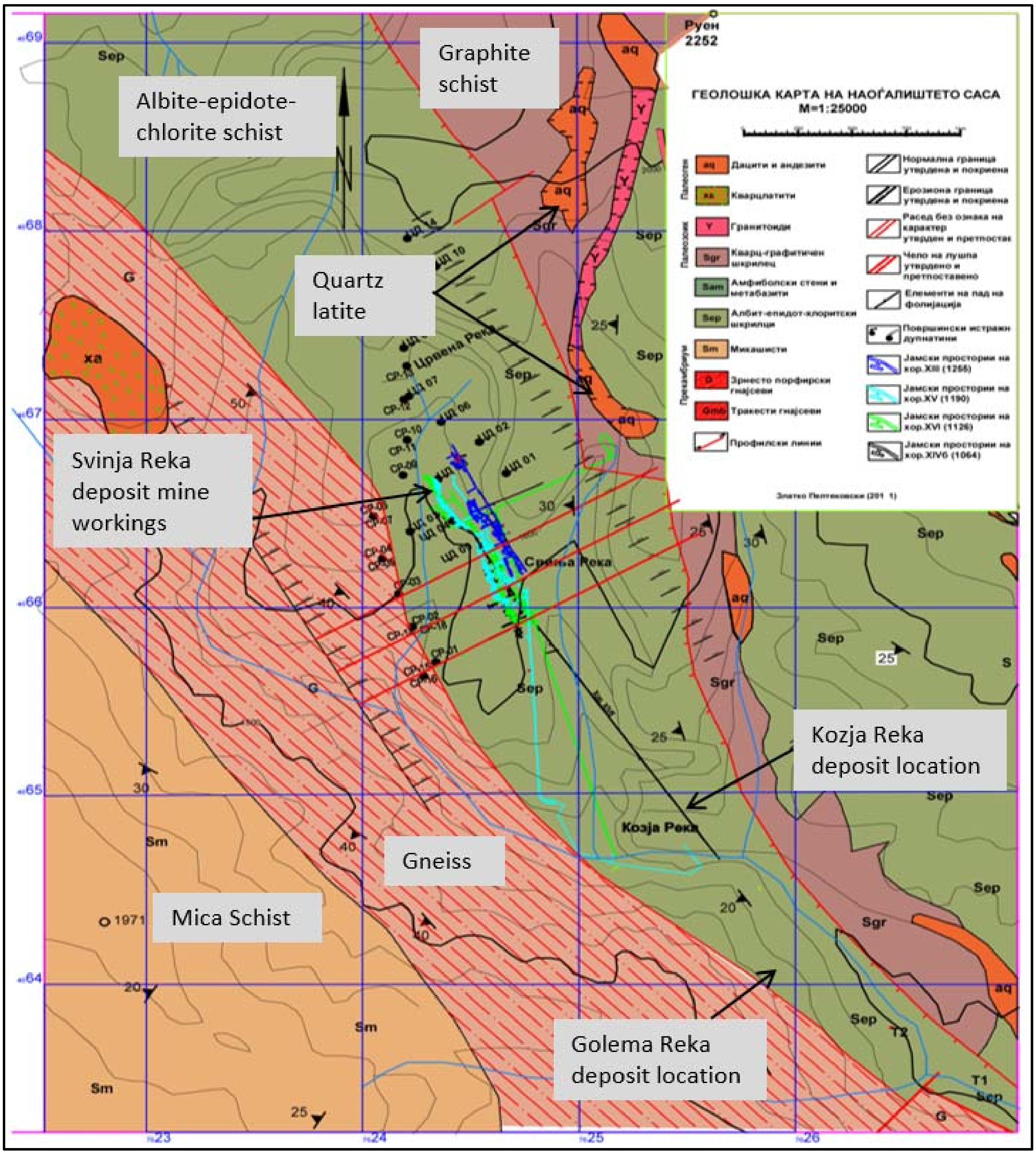


Figure 3-3: Svinja Reka deposit scale geological map (modified from SASA 2016)

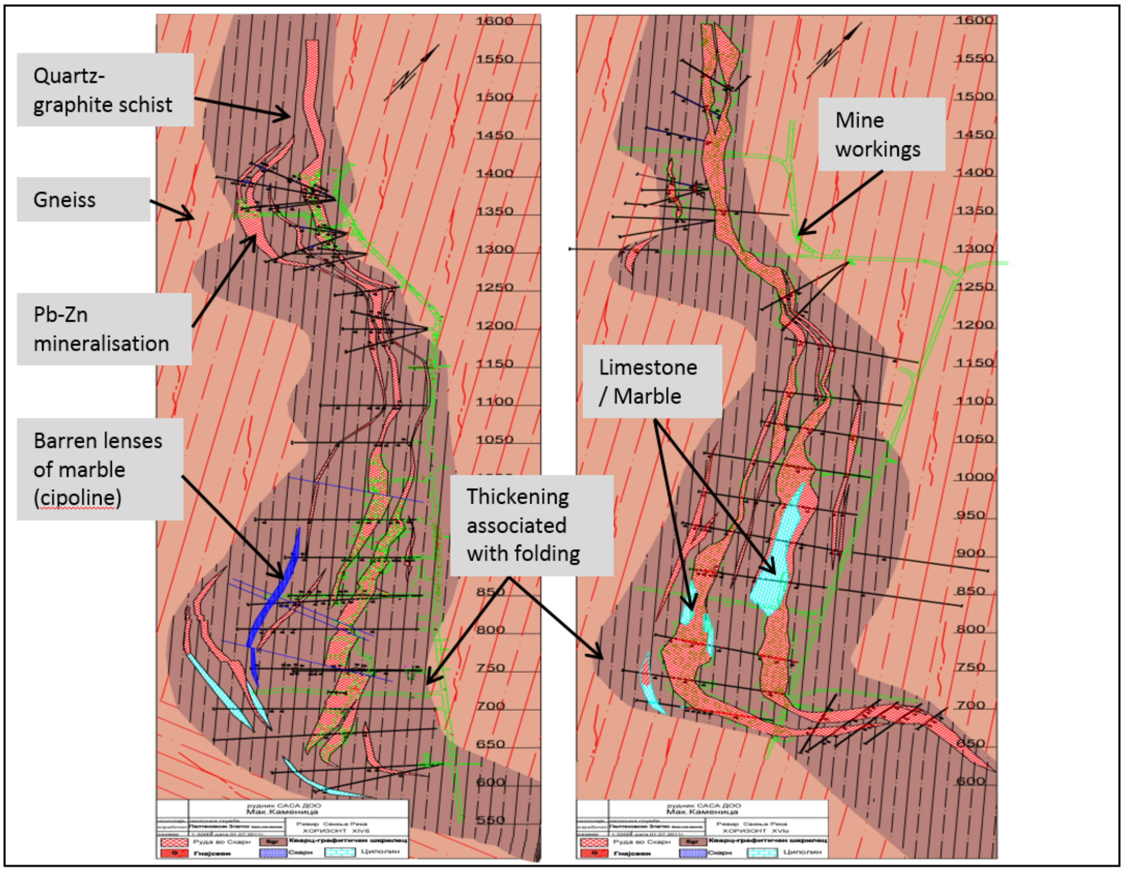


Figure 3-4: Geological Plan views at Svinja Reka Levels XIVb (left) and XIV (right), (modified from SASA 2016)

3.3 Mineral Resource Estimation

The Mineral Resources were estimated by SRK using drilling information provided up to 01 October 2016. Between 01 October 2016 and 1 July 2017, Lynx Resources has completed an additional 123 underground drillholes, totalling 6,339 m completed at Svinja Reka and 4 surface drillholes for sterilization purposes around the TSF. The information from these drilling programmes between 01 October 2016 and 1 July 2017 has not been taken into consideration by SRK, and was not considered in SRK's review of the drilling information or in the current Mineral Resource estimate. The vast majority of these holes, 111 in total, were drilled as part of the routine grade-control infill drilling at Svinja Reka.

The SASA Mine geology department are in the process of preparing the drilling information, collected since 01 October 2016, for use in updating the geological model and the Mineral Resource estimate for 01 October 2017.

3.3.1 Exploration and Data Management

The SASA Mine has been explored since 1954 including geophysics, mapping, trenching, and drilling from both surface and underground excavations. Up to 01 October 2016, 1,442 holes, totalling 106,957 m and 15 underground channels, totalling 332 m have been completed at the Svinja Reka deposit while 104 holes, totalling 13,444 m and 51 underground channels, totalling 333 m, have been completed at the Golema Reka deposit. The drilling data has been acquired by several different operators, and the standards applied by each have varied over time. In general, the drilling has produced good quality intersections of the mineralised horizons, with recoveries typically greater than 80%. Core sizes have varied over time, but are typically AX and AQ from underground and NQ from surface, which was whole core sampled to provide a suitable quantity of material for assay.

The drill core is logged for geological and geotechnical parameters (core recovery and RQD) and, recently, digital photographs of the core are being taken. Sampling lengths are then allocated, guided by visually logged geological contacts, and typically range between 0.3 and 1 m in length.

Samples were submitted for preparation to the SASA Mine laboratory (which obtained valid international accreditation to MKC EN ISO/TEC 17025 in 2006 and was later endorsed in 2011 with validity until 2019), where samples are crushed to -3 mm and then dried in an oven at 130°C. The sample is passed through a riffle splitter to derive a 50% split, which is pulverised using a disc mill to give a -0.74 mm powder pulp. The pulp is coned and quartered with 25% subsampled into 1 g portions for Pb and Zn analysis and the remaining 75% is stored for three years in case external controls require re-assay. The samples are analysed for Pb and Zn by XRF.

Whilst no routine external assay Quality Assurance/Quality Control ("QAQC") procedures are currently implemented, SRK has previously completed an independent check by selecting 400 duplicate pulp samples, from SASA Mine drilling intercepts, which were submitted to the Eurotest Control Sofia laboratory. Analysis of the results indicates in general the reasonable quality of results, albeit with a slight bias toward lower grade. The SASA Mine laboratory is annually audited by the Macedonian Accreditation Institute and also acts as control for the plant concentrate shipment. The SASA Mine laboratory also regularly submits check samples to a laboratory in Sofia, Bulgaria as part of its own internal QAQC programme.

The resource databases were directly exported from the master Access database managed by SASA Mine geologists. The drillhole data included collar co-ordinates, hole lengths, date drilled, downhole surveys, and sample assay intervals. The resource database was reviewed and verified by SRK before use in the Mineral Resource Estimates.

3.3.2 Mineral Resource Estimates

The Mineral Resource models at the SASA Mine consider 1,442 underground and surface diamond drillholes and 15 underground channels conducted between the years of 1974 and 2016 for the Svinja Reka deposit and 104 underground and surface diamond drillholes and 51 underground channels conducted between the years of 1974 to 2010 for the Golema Reka deposit. The Mineral Resources have been estimated by Guy Dishaw, P.Geo, in accordance with the JORC Code (2012).

In summary, for the October 2016 Mineral Resource update, SRK completed the following:

- modelled lead-zinc-silver lenses in 3D, based on underground geological mapping, drilling and channel sampling data;
- composited the sample data to 1 m intervals at Svinja Reka and 3 m at Golema Reka and undertaken statistical analysis for each mineralised domain;
- applied high grade caps per estimation domain from log histograms and log probability plots;
- undertaken geostatistical analyses to determine appropriate interpolation algorithms;
- created block models with block dimensions of 3.5 x 14 x 7 m;

- undertaken a Quantitative Kriging Neighbourhood Analysis to test the sensitivity of the interpolation parameters;
- interpolated Pb and Zn grades into the block model and assigned Ag grades based on a regression with estimated Pb grade;
- assigned density to the block model based on a regression with Pb and Zn; and
- visually and statistically validated the estimated block grades relative to the original sample results.

3.3.3 Mineral Resource Classification

Block model tonnages and grade estimates for the Svinja Reka and Golema Reka deposits have been classified in accordance with the guidelines of the JORC Code (2012). In addition to the quality and quantity of exploration data supporting the estimates, the confidence in the geological continuity of the mineralised structures and the confidence in the tonnage and grade estimates is considered in assigning the Resource classification.

SRK considers that the quality and spatial distribution of the data used, the geological continuity of the mineralisation and the quality of the estimated block model for Svinja Reka is sufficient for the reporting of Indicated and Inferred Mineral Resources. Due to the lower confidence in the geological model, and absence of any historical core or accessible mineralisation exposures in Golema Reka, Mineral Resources have been limited to Inferred for this deposit. Areas of mineralisation in Golema Reka that contain less than 2% Pb+Zn over a 3.5 m width, remain unclassified and are excluded from the Mineral Resource.

To design the zones of classified Mineral Resources, blocks were identified as candidates which satisfy the criteria shown in Table 3-1. These candidate assignments were used to design a wireframe shell to outline contiguous zones of blocks with similar resource class. In this process, some Indicated candidate blocks are excluded from the final assignment, while some Inferred criteria blocks are included.

SRK used these candidate assignments to design a wireframe shell to outline contiguous zones of blocks with similar resource class, as illustrated for Svinja Reka in Figure 3-5.

Table 3-1: Drilling Coverage for Resource Classification

Class	Number of Drillholes	Distance to Drillhole (m)
Indicated	>=4	<=50
Inferred	>=2	<=150

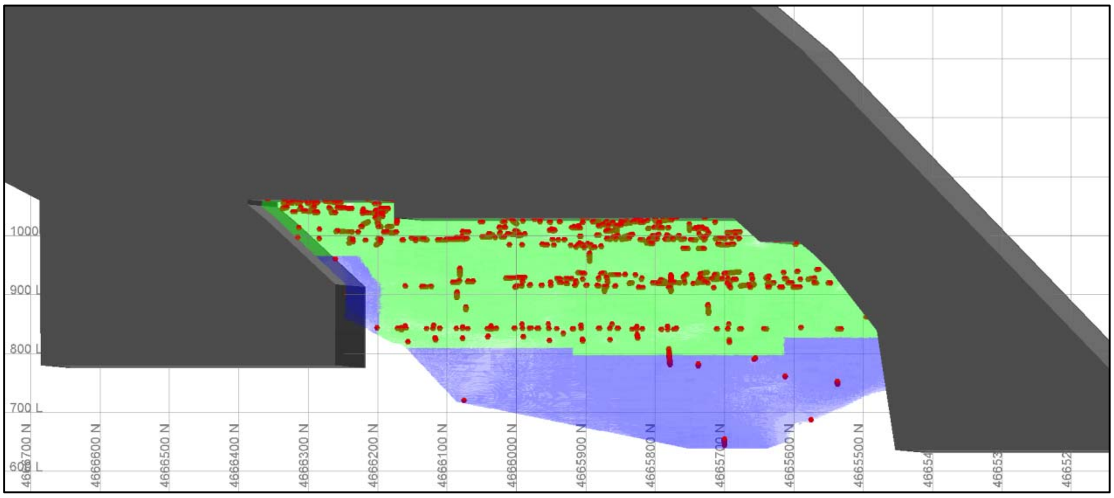


Figure 3-5: Svinja Reka long section looking NE at Podinska Domain coloured by final resource class (Green=indicated, Blue=inferred)

3.3.4 Mining Depletion

Underground development and stoping surveys are completed by mining surveyors using total-station methods and used to create 3D excavation volumes. These mined volumes, combined with a mined/non-recoverable volume that represents historical mining areas where all mineralisation is currently considered non-recoverable (as shown in dark grey in Figure 3-5), have been used to deplete the reported Mineral Resources. The mining excavation volumes used for the Mineral Resource statement represent mining up to 1 July 2017.

3.3.5 Mineral Resource Statement

SRK has applied basic economic considerations to restrict the Mineral Resource to material that has reasonable prospects for economic extraction by underground mining methods.

To determine this, the Mineral Resource has been evaluated based on a minimum Net Smelter Return ("NSR") cut off value based on Pb, Zn, and Ag credits, using a Pb price of USD2,550/t, a Zn price of USD2,800/t and a silver price of USD25/oz. These prices are based on typical long-term consensus forecasts with a 30% premium (to reflect the requirement for "reasonable prospects" for eventual extraction) and a set of assumed technical and economic parameters which were selected based on the current mining operations at the SASA Mine. The Mineral Resources comprise volumes that are generally considered to be wider than the minimum mining width (3.5 m).

SRK considers that the blocks with a NSR value greater than USD30/t at Svinja Reka and USD35/t at Golema Reka have "reasonable prospects for eventual economic extraction" and can be reported as a Mineral Resource (Table 3-2). The difference in cut-off NSR values is due to the USD5/t allowance for backfill costs as will be required at Golema Reka. Mineral Resources are reported as 100% attributable to Lynx Resources, and inclusive of that material used to derive Ore Reserves.

Table 3-2: SRK Mineral Resource Statement for Combined Svinja Reka and Golema Reka Deposits, SASA Mine, as at 01 July 2017 reported at USD30/t and USD35/t NSR cut-off, respectively

Classification/ Deposit	Density	Tonnage	Pb		Zn		Ag		NSR	Pb + Zn
	(t/m^3)	(Mt)	Grade (%)	Metal (kt)	Grade (%)	Metal (kt)	Grad e (g/t)	Metal (koz)	(USD/t)	Grade (%)
Indicated Mineral Resources										
Svinja Reka	3.4	13.30	4.59	611	3.68	490	22.0	9,403	126	8.28
Golema Reka	0	-	0	0	0	0	0	0	0	0
Total Indicated	**3.4**	**13.30**	**4.59**	**611**	**3.68**	**490**	**22.0**	**9,403**	**126**	**8.28**
Inferred Mineral Resources										
Svinja Reka	3.2	2.67	3.16	84	2.08	56	16.6	1,426	82	5.24
Golema Reka	2.9	7.4	3.69	273	1.52	112	18.6	4,424	94	5.21
Total Inferred	**3.0**	**10.07**	**3.55**	**357**	**1.67**	**168**	**18.1**	**5,849**	**91**	**5.22**
Total Indicated and Inferred Mineral Resources	**3.2**	**23.37**	**4.14**	**968**	**2.81**	**658**	**20.3**	**15,252**	**111**	**6.96**

In reporting the Mineral Resource Statements, SRK notes the following:

- Mineral Resources have an effective date of 1 July 2017. The Competent Person for the declaration of Mineral Resources is Guy Dishaw, P.Geo., of SRK Consulting (UK) Ltd. The Mineral Resource estimate was prepared considering drilling data up to 01 October 2016 and has been depleted by excavation volumes representing mining to 1 July 2017;
- Mineral Resources are reported within the Exploitation and Exploration Licences only;
- Mineral Resources are reported as undiluted. No mining recovery has been applied in the Statement;
- All Mineral Resources are 100% attributable to the SASA Mine, and hence to Lynx Resources as it owns 100% of Rudnik “SASA” DOOEL;
- Tonnages are reported in metric units, grades in percent (%) or grams per tonne (g/t), and the contained metal in metric units for Pb and Zn, and troy ounces (oz) for Ag. Tonnages, grades, and contained metal totals are rounded appropriately; and
- Rounding, as required by reporting guidelines, may result in apparent summation differences between tonnes, grade and contained metal content.

3.3.6 Cut-off Grade Sensitivity Analysis

The Mineral Resources of the Svinja Reka and Golema Reka deposits are sensitive to the selection of the reporting cut-off value. To illustrate this sensitivity, the model quantities and grade estimates for Indicated and Inferred Mineral Resources are presented as grade tonnage curves for the Svinja Reka and Golema Reka deposits in Figure 3-6 and Figure 3-7, respectively.

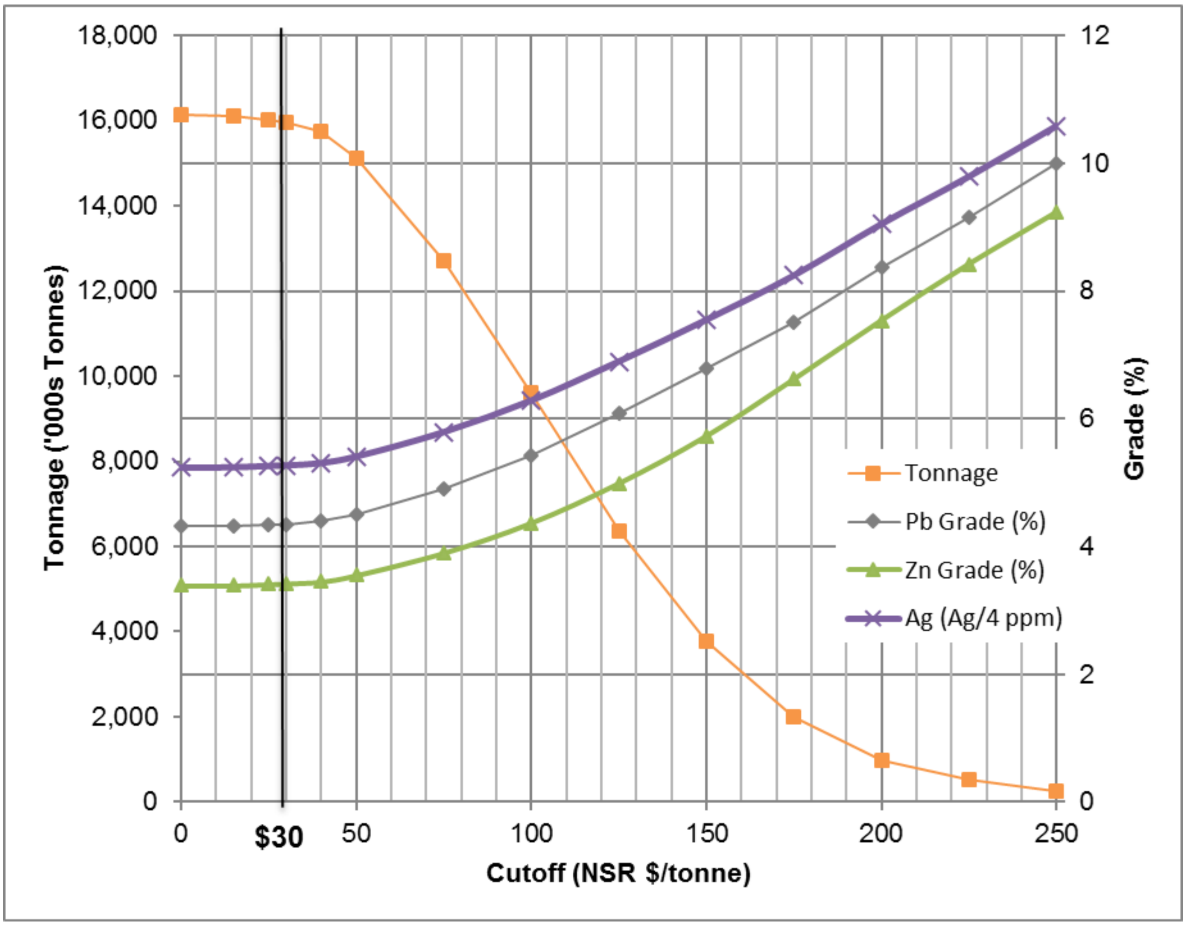


Figure 3-6: Svinja Reka deposit Grade Tonnage Curves for Underground Indicated and Inferred Material

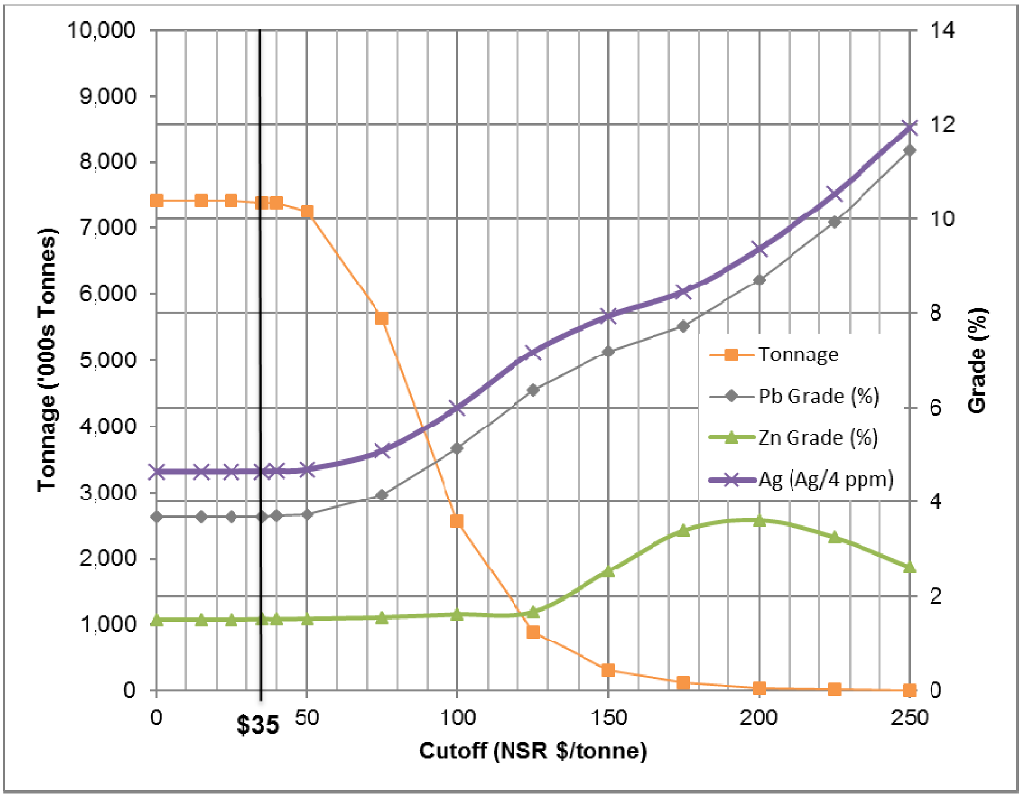


Figure 3-7: Golema Reka deposit Grade Tonnage Curves for Underground Inferred Material

3.4 Conclusions

The Svinja Reka deposit is an underground mine which is at an advanced stage of drilling and geological understanding. Recent infill drilling from surface and underground, digitising of underground geological maps and geological modelling in 3D has added further geological confidence to the local scale geometry of the mineralisation and grade distributions in the Mineral Resource model.

The geological interpretation used to generate the Mineral Resource presented herein is generally considered to be robust; however, there are areas of lower geological confidence which may be subject to further revision in the future.

The Golema Reka deposit is a historic underground mine which is at a lower level of geological understanding than that of Svinja Reka. Data used to interpret the mineralisation model are historical, and no drill core samples or underground exposures are available for inspection.

SRK considers the exploration data accumulated by Lynx Resources is generally reliable and suitable for the purpose of this Mineral Resource Estimate.

SRK notes that there is potential to extend the mine life by further defining and potentially extending the Svinja Reka and Golema Reka resources at depth, and by delineating and quantifying extents of the Kozja Reka deposit, combined with further licence extensions, and that such studies are ongoing or planned.

3.5 Recommendations

SRK considers there to be good potential to improve confidence in the reported Mineral

Resource at Svinja Reka and Golema Reka with improvements to data quality, additional underground drilling and further modelling work. In relation to drilling and sampling, SRK recommends the following:

- All data associated with core logging should be recorded in a useable format such as an Excel spreadsheet, to ensure that this valuable data can be readily included in any subsequent Mineral Resource updates. SRK notes that Lynx Resources is now entering assay information into the Access database. Furthermore, whilst a significant proportion of the underground mapping has been successfully geo-referenced (based on drillhole collar positions) for use in 3D modelling as part of this update, more accurately and routinely geo-referencing the mapping against the mine grid would help to add further confidence to the position of modelled mineralisation and waste contacts in the resource model. If possible, mine geologists should spray-paint mineralisation contacts underground and have these surveyed, increasing the local accuracy further.
- Regularly collecting additional density samples and increasing the size of the database to add confidence to the modelled density values. Any additional data collected from drilling or sampling should also be compared to the production data as part of a comprehensive reconciliation programme. SRK notes that Lynx Resources geology department is currently developing a procedure for this and acquiring the required equipment.
- Implementation of full QAQC procedures for sampling and assay (including blanks, duplicates and standards) for all future drilling campaigns, especially given the potential for anomalous assay results, which have not been highlighted through the QAQC procedures, to have a significant influence on the grade and tonnage estimates in the relatively sparsely drilled down-dip portion of the mine.
- Routinely assay for Ag in future drilling programmes to improve confidence in the local-scale variability of the Ag grades in block model which may, in places, be independent from Pb grade. SRK notes that there may be locally secondary controls on silver mineralisation that are not currently realised due to the limitations of sampling. Lynx Resources has begun to routinely assay for Ag since March of 2017.
- An underground mapping programme by a structural geologist to investigate the potential for additional controls on mineralisation, normal to the prominent fold plunge, to better understand the distribution and exploration implications for the high grade lead-zinc-silver mineralisation.

In addition, if a structural study is completed in the future, SRK would recommend completing additional exploration based on the findings given its potential to highlight areas that may host further lead-zinc-silver mineralisation.

SRK is aware that SASA Mine has planned a campaign of surface, and possibly underground drillholes at the Golema Reka deposit to confirm the current model, and add additional intersections to improve the confidence in the geological model. The drilling programme has been submitted for permitting and is expected to commence in late H2 2017 or early H1 2018.

4 GEOTECHNICAL REVIEW

4.1 Introduction

This review is based on site work and follow-up reporting undertaken between February and May 2016, a geotechnical implementation and progress meeting held on the mine site in mid-October 2016 and a site visit carried out in July 2017. The latter is the first in a series of quarterly geotechnical site visits commissioned by SASA Mine to review, audit and provide on-going geotechnical input to the mine operations.

4.2 Geotechnical Characterisation

4.2.1 Deposit Description

The SASA Mine lead-zinc deposit strikes in a NNW to SSE direction, dips towards the SW at an angle of between 35° and 40° and plunges at 60° to the south east. Its strike length is about 1,000 m in the current production areas which extend from the XIVb level at the 1,070 mRL on the northern end of the mine and the 990 mRL to 830 mRL to the south. The orebody has been largely mined out between the 1,255 mRL and the 990 mRL. The highest surface elevation above the mine is 1,400 mRL and the lowest elevation is approximately 1,330 mRL. The average depth of mining is approximately 270 m.

The orebody is strata-bound and is concentrated in a competent skarn rock mass ("Orebody Skarn") surrounded by shale and quartz graphitic schist ("Waste Schist") with inclusions of barren limestone. The surrounding host rock is gneiss. The orebody comprises up to three parallel lenses, reducing to two then one at depth. The horizontal thickness of each orebody varies from 2 to 30 m. In places, the orebodies have been displaced laterally by fault zones. There is a very weak sheared graphitic schist zone about 1.5 to 2.0 m thick located on the footwall and hanging wall of the orebodies.

4.2.2 Rock Mass Characteristics

The various lithological units at SASA Mine have been characterised by SRK using a number of industry standard rock mass classification systems, each of which has specific applications for the estimation of rock mass strength, stope dimensions and excavation stand up time, stope and development support. The classification systems used are:

- Bieniawski's Rock Mass Rating System ("RMR");
- Laubscher's Mining Rock Mass Rating System ("MRMR"); and
- Barton's NGIQ Classification System ("Q").

The rock mass characteristics for each of the main lithological units are summarised below.

Waste Schist

Bieniawski RMR rating: Range 28 to 56, with a typical value of 39 indicating generally poor rock mass conditions.

Laubscher MRMR rating: Range 16 to 34, with a typical value of 24 indicating generally poor to very poor ground conditions. (Note that the Laubscher system generally yields a lower rock mass rating value than the Bieniawski system for well jointed rock masses as the MRMR classification system gives greater weighting to the quantity and spacing of joints.)

Q classification rating: Range 0.07 to 2.50, with a typical value of 0.13 indicating very poor rock mass conditions.

The lower bound rating values are considered to be typical of the graphitic schist shears located to the footwall and hanging wall of the orebody.

Orebody Skarn

Bieniawski RMR rating: Range 55 to 79, with a typical value of 66 indicating generally good rock mass conditions.

Laubscher MRMR rating: Range 40 to 64, with a typical value of 51 indicating generally fair to good ground conditions.

Q classification rating: Range 5.83 to 13.33, with a typical value of 12.5 indicating fair to good rock mass conditions.

Four main discontinuity sets (bedding plus three joint sets) have been identified, as shown in Table 4-1.

Table 4-1: Orientation of Main Joint Sets

Joint Set	Mean Dip Angle (°)	Mean Dip Direction (°)	Description
1	44	255	Bedding
2	64	065	Orthogonal strike joint
3	67	135	SE dipping cross joint
4	83	000	N dipping cross joint

4.3 Mine Design Criteria

4.3.1 Current Mining Method

The mine currently uses a sub-level caving mining method, where ore drives are excavated from a central ramp to the extremities of the orebody, as described in more detail in Section 5.3. The weak hanging wall rock is allowed to cave naturally into the void left after the ore is mucked out. An undercut of 50 m typically has to be created before the hanging wall starts caving. Sill pillars of 8 m width are left in the orebody on main haulage levels 990, 910 and to be designed on 830 to delay orebody dilution from the cave above.

In 2016, SRK undertook a study to estimate and confirm the geotechnical mine design parameters currently being used at the SASA Mine. A summary of the outcome of these analyses is presented below.

4.3.2 Mining Method Selection

The method used by SRK for the determination of an appropriate mining method is a slightly modified version of the Nicholas method[1] known as the UBC[2] Mining Method selection process. This method ranks various deposit parameters according to their suitability for different generic mining methods. Those mining methods ranked highest are considered to be most suitable for the deposit geometry and rock conditions. Economic factors are not taken

[1] *Nicholas D.E. (1981). Method Selection – A Numerical Approach. Design and Operation of Caving and Sub-Level Stoping Mines. New York. AIME Chapter 4.*
[2] *L.Miller-Tait, R. Pakalnis & R Poulin (1995). UBC Mining Method Selection. In Mine Planning and Equipment Selection, Ed. Singh et al, pp 163-168, Balkema, Rotterdam.*

into account at this stage of the mining method selection process. The results of this analysis identified sub-level caving as an appropriate mining method for the SASA Mine orebody.

4.3.3 Stope and Undercut Sizing

SRK used the Modified Stability Graph to establish and confirm the stability condition for orebody mining. The Stability Graph analysis indicates that the roof of the stopes contained within orebodies up to 10 m wide should remain stable for a significant strike length. Stope roofs of orebodies between 10 and 20 m wide should remain stable up to a strike length of 30 m; beyond 30 m they become transitionally unstable. Stope roofs of orebodies greater than 20 m wide should start caving when the exposed strike length exceeds 40 m. For a stope hanging wall of vertical height of 7 m, the stope is generally transitionally unstable up to an exposed wall length of 50 m and caves at wall lengths in excess of 50 m. This is consistent with the observed stope caving behaviour at SASA Mine.

4.3.4 Numerical Modelling

SRK undertook some preliminary stress and deformation modelling using the finite element program Phase[2] to provide an insight into the development of stresses and ground deformation for the current mining method. The 850 section line which is located at the northern end of Block 1 was used for the model.

A number of observations were made from interrogation of the results of the modelling:

1. Using the best case Waste Schist rock mass strength parameters, significant hanging wall cave occurred once a sufficient dip length of orebody had been mined.
2. The cave did not propagate to surface.
3. Because of its relative thinness, mining of the hanging wall orebody alone did not initiate cave. The cave only began developing once the central orebody was mined.
4. Maximum cave development occurred once the footwall orebody was mined as this is generally the thickest of the orebodies on the section analysed.
5. Where the cave front did not propagate down dip a high stress zone developed ahead of the cave front.
6. The highest stresses in this area (40 to 50 MPa) generally exceeded the rock strength of the Waste Schist.
7. Any development located within the high stress area would be subject to instability unless appropriately supported.
8. If mining of the hanging wall orebody between main haulage levels is completed before the central and footwall orebodies, high stresses are developed at the base of the cave front in the vicinity of the central and footwall orebodies. These stresses reduce once full caving of the orebody above occurs.
9. When mining the hanging wall, central and footwall orebody on the same sub-level one after the other, whilst closure of the orebody begins occurring after each sub-level has been mined full caving does not begin developing until at least three sub-levels have been mined.
10. The high stress zone down dip of the cave front has a maximum stress of about 30 MPa, three times higher than the in situ, and slightly less than the average, intact strength of

the Waste Schist.

11. The lowest mining induced stresses occur once full caving has been achieved and provided a flat cave front is mined.

4.4 Underground Support Review

4.4.1 Rock Mass and Support Categories

There are four main categories of rock mass and associated support requirements. These four categories are subdivided into support for permanent development (main haulage levels) and temporary development (sub-level drives and ramps). The rock mass is categorised in relation to lithology type, clay content, groundwater and fracture condition. Each category is associated with a standard support system. Category 1 and 2 support, which defines more competent rock masses, comprises rock bolts and shotcrete. Category 3 support comprises rock bolts, mesh and shotcrete. Category 4 support, which defines the poorest quality rock mass, comprises steel sets, timber lagging, rock bolts, mesh and shotcrete. SRK has reviewed the methodology for defining ground conditions and support categories. The methodology is fairly simple and unambiguous and can be easily applied by geologists and mining engineers who have little or no geotechnical training and background. SRK is satisfied that the rock mass categorisation is being carried out accurately by the mine personnel tasked with doing the work. SRK considers that further rock mass and support categories could be defined but the identification of ground conditions associated with these would require the input of a qualified geotechnical engineer to interpret. A geotechnical engineer has recently been employed by Lynx Resources, and SRK has been commissioned to undertake quarterly audits and training of the engineer.

4.4.2 Support Materials

The mine currently uses a combination of rock support materials:

- Resin grouted SN threaded re-bar bolts, 22 mm diameter and 2.0 m long, with washers and face plates. Split set rock bolts are also used as temporary support in capital development and are the main form of support in temporary development;
- Locally made weld mesh comprising 4 mm strand mesh wires is used for Category 3 support;
- Dry mix shotcrete is used for Category 1, 2, 3, and 4 support in permanent development. This is batch dry mixed on surface and then transported underground when required. Water is added at the nozzle as well as a fast set chemical accelerator (MasterRoc SA193); and
- Category 4 support also utilises steel sets and timber lagging. The steel sets are standard three part yielding arches placed 1 m apart.

4.4.3 Developing Through Shear Zones

A 1.5 to 2.0 m true thickness (up to 3.5 m horizontal thickness) of very weak, very poor quality graphitic shear zone is normally encountered on the footwall and hanging wall of the orebody. On every sub-level, the access cross-cut to the orebody must pass through this zone of poorer ground and this sometimes results in significant overbreak. These areas are normally supported after excavation using Category 4 steel arch support. SRK has suggested that the mine considers using a spiling or forepoling technique to advance through this weak ground, as shown schematically in Figure 4-1. As a starting point, this is being implemented using 2.4 m long, 22 mm diameter rock bolts installed between 0.2 m and 0.4 m apart around the periphery of the tunnel profile, with pre-support bolt holes drilled at a 10° away from the tunnel walls. Round advance is limited to 1.5 m to allow for some spile bar overlap.

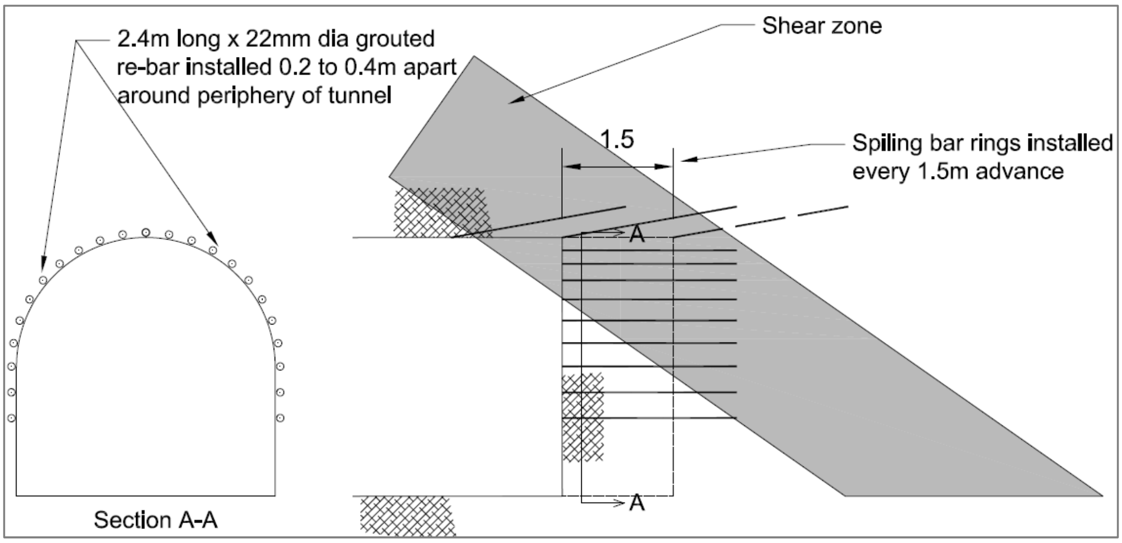


Figure 4-1: Spiling through Graphitic Shear Zones

4.4.4 Ore Production Drive Adjacent to Cave Face

The orebody production drives are temporary in nature as they will be blasted and excavated as part of the sub-level stoping operation. These production levels are only supported with split set rock bolts; however, the brow area of these drives, which forms the junction between the cave and in-situ blasted ground, becomes broken as a result of stope blasting. The consequence of which is that the support is rendered largely ineffective and results in a greater risk of rockfall in these areas, which need to be accessed by personnel for the purpose of charging the next rows of blastholes. Figure 4-2 is a schematic showing the higher risk area.

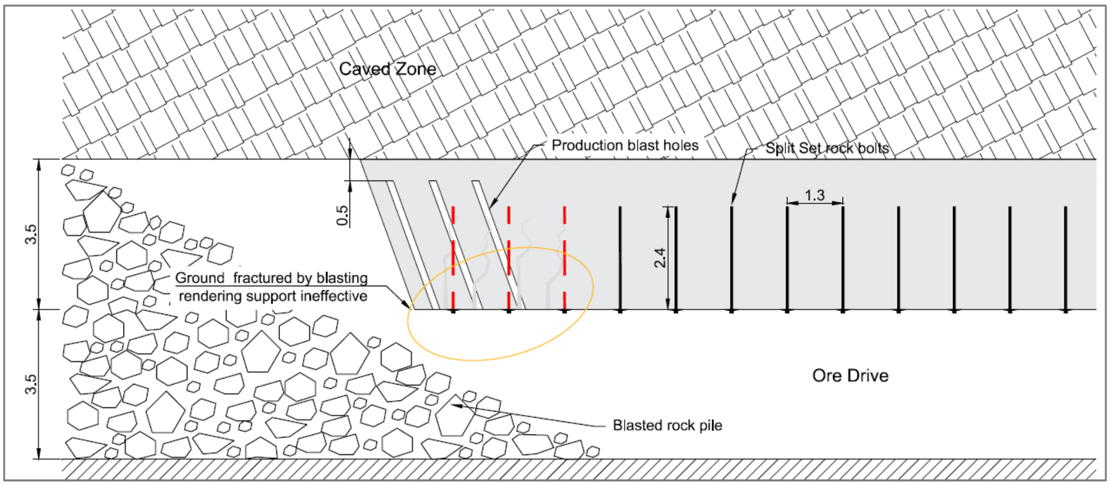


Figure 4-2: Area of Production Drive Rock Fall Risk

SRK considers that extra precautions need to be taken to ensure the safety of personnel required to access this area of the ore drive. It would be difficult to re-support, so the main alternative is to provide cages and mobile rock fall canopies to protect the miners who are required to install explosives and charge the area for the next production blasting round. The loader operators who will be mucking out the ore will be protected by the loader cab.

4.4.5 Ore Production Drive Profile

The production ore drives use a standard arch profile, 3.5 m wide, 3.5 m high with 1.75 m radius shoulders. The structure of the orebody comprises well developed orebody parallel foliation which dips at about 35° to the south west. There is also a well-developed cross joint that dips to the north east at approximately 90° to the angle of the foliation. The combination of these structures results in the development of prismatic wedges that can and do fall out of the roof of the ore drives.

Figure 4-3 shows three images of the ore drive profile. The left hand image shows the interaction of the arch profile drive with the major joint set interaction forming a potentially unstable wedge. The central image is a photograph taken of the 910 mRL ore drive. It is possible to see that wedges have fallen from the roof and have disrupted the arched profile. The right hand image indicates a modified ‘shanty back’ ore drive profile with a roof that is excavated parallel to the main orebody structures. An ore drive with this profile is more stable and easier to support and will provide for a safer working environment for the drilling, charging, blasting and mucking activities that are required.

SRK has recommended that SASA Mine considers modifying the ore drive profile to something similar to that shown in Figure 4-3.

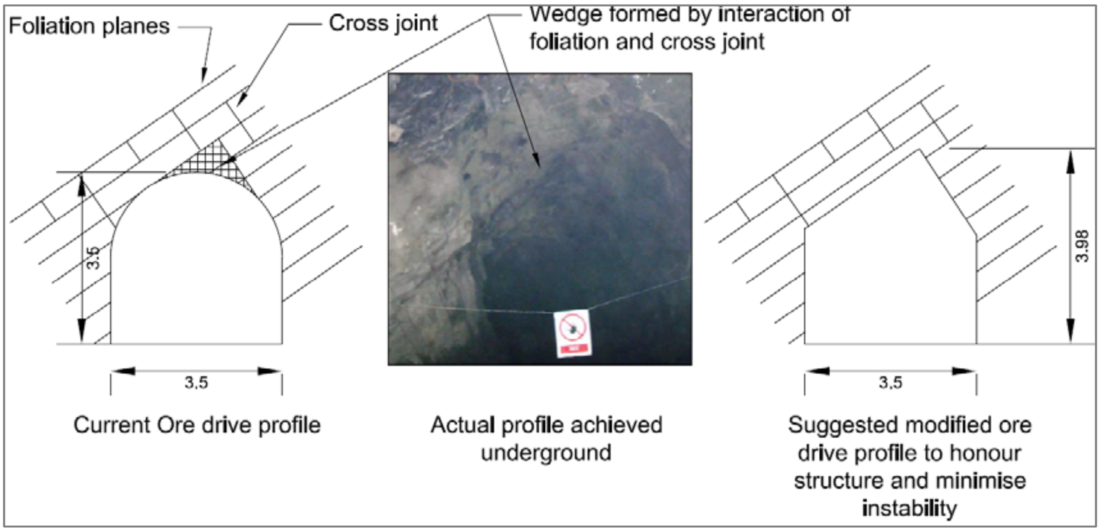


Figure 4-3: Ore Drive Profile

4.5 Conclusions and Recommendations

4.5.1 Mining Method and Geotechnical Design

SRK has undertaken a geotechnical assessment of the SASA Mine using empirical and preliminary 2D finite element numerical modelling. The analysis has confirmed the appropriateness of the current mine design parameters being used.

Based on the geotechnical characterisation and assessments carried out, however, the analyses show that the rock mass lies at the boundary of a caving and a marginally caveable material depending on where within the range of rock mass parameters (worst case, typical, best case) the actual rock mass strength lies. In some instances, where the rock mass requires the development of significant open spans to induce caving, high mining induced stresses are developed down dip of the stoping area. When this occurs, the mining induced stress can exceed the intact strength of the rock mass, particularly that of the weaker Waste Schist. In areas where this occurs, development located in the high stress areas will experience deformation and failure unless properly supported. Ensuring that a horizontal mining front is maintained across all orebodies reduces the magnitude of mining induced stresses down dip of the mining front. This should minimise any instances of instability of development in these areas.

In order to improve the geotechnical model actual mine performance will need to be compared to results of the 2D modelling and the input parameters and/or the mining sequence modified to better reflect the actual mine performance. Furthermore, detailed geotechnical characterisation will be required to allow for the development of 3D models. This will include a better understanding of the structure of the rock mass along with a more accurate estimate of the in situ stress state. The mine is currently in the process of developing a geotechnical database for this purpose.

4.5.2 Ground Support

SRK has undertaken a review of rock support and geotechnical practices at SASA Mine. Whilst generally the support of permanent development is being carried out to a satisfactory level, the stability of temporary ore drives could be further improved. SRK has made a number of suggestions for improvement to ore drive stability which are detailed above. Improvements to the support methods and materials used can be made to assist the mine to work towards international best practice standards and some progress has already been made in these areas; specifically:

- Category 4 support which utilises steel arches is considered to be inappropriate and inefficient. Support of weak and squeezing ground is normally done by a combination of rock bolts and thick layers of fibre reinforced shotcrete. Using the Q classification system, the recommended permanent support for Category 4 rock is 15 cm fibre reinforced shotcrete with 2.4 m long rock bolts installed on a 1 m spacing. SRK recommends that SASA Mine considers transitioning to this type of support for Category 4 material. A Category 5 rock support for very weak ground has been introduced. This comprises self-drilling anchors as fore spilling up to 4 m in advance of the face position then multi layers of mesh and shotcrete, combined with steel sets and 2.0 m chemical anchored bolts. This support category has been successfully trialled in the river diversion tunnel.
- SASA Mine has also started trialling and testing commercially available rock bolts produced by Minova that have the advantage of having domed faceplates, hemi-spherical washers and are fully threaded. If these trials prove successful and demonstrate that the Minova bolts provide better support then the intention is to transition away from locally made rock bolts.
- Currently, the mine is using dry mix shotcrete. Based on observations underground, SRK considers that the design thickness of shotcrete is not being achieved. The shotcrete thickness being placed does not constitute structural support. Its main capability is to limit weathering of the rock mass and provide some support against the loosening of small blocks from the surface of the tunnel walls being supported. The industry standard now is to utilise fibre reinforced shotcrete. Fibre reinforced shotcrete improves the structural strength of the shotcrete, increases its ductility, and reduces its propensity to crack. If applied correctly and to the correct thickness, fibre reinforced shotcrete can negate the

use of mesh for underground support. SRK recommends that SASA Mine utilises fibre reinforced shotcrete in future. SRK also recommends that regular quality control checks are made with regards to shotcrete mix quality, rebound quantity, placed strength, and thickness to ensure that the shotcrete is performing to specification.

4.5.3 Geotechnical Capability

Based on the required workload and frequency for geotechnical auditing, Lynx Resources has determined that a full-time geotechnical resource would be under-utilised, and has therefore determined to schedule regular external geotechnical audits for data collection, geotechnical modelling, stope design, and support optimisation, along with monitoring and QAQC checks of support installation quality and effectiveness. These audits would include training of local mining staff. An engineer with a geotechnical background has recently been employed at the mine and SRK has been commissioned to undertake quarterly audits and training of the engineer. The engineer will initially be responsible under SRK’s guidance for developing and populating the geotechnical database.

5 MINING REVIEW

5.1 Introduction

The SASA Mine consists of a shallow dipping, stacked, lead-zinc-silver lens system which is mined using a sub-level caving method and trackless equipment. Only the Svinja Reka resource is currently being mined; however, the Golema Reka deposit was mined up to 2009 using a cut and fill method. SRK understands that mining ceased at the Golema Reka deposit due to the low grades at the time. The Golema Reka shaft is connected by adit access (830 m level) to the Svinja Reka mine infrastructure and is used as the primary hoist for 70% of the current mine production to the site’s processing facilities.

Figure 5-1 and Figure 5-2 show as-built plan and oblique views of the underground development and production areas as of the end of 2016.

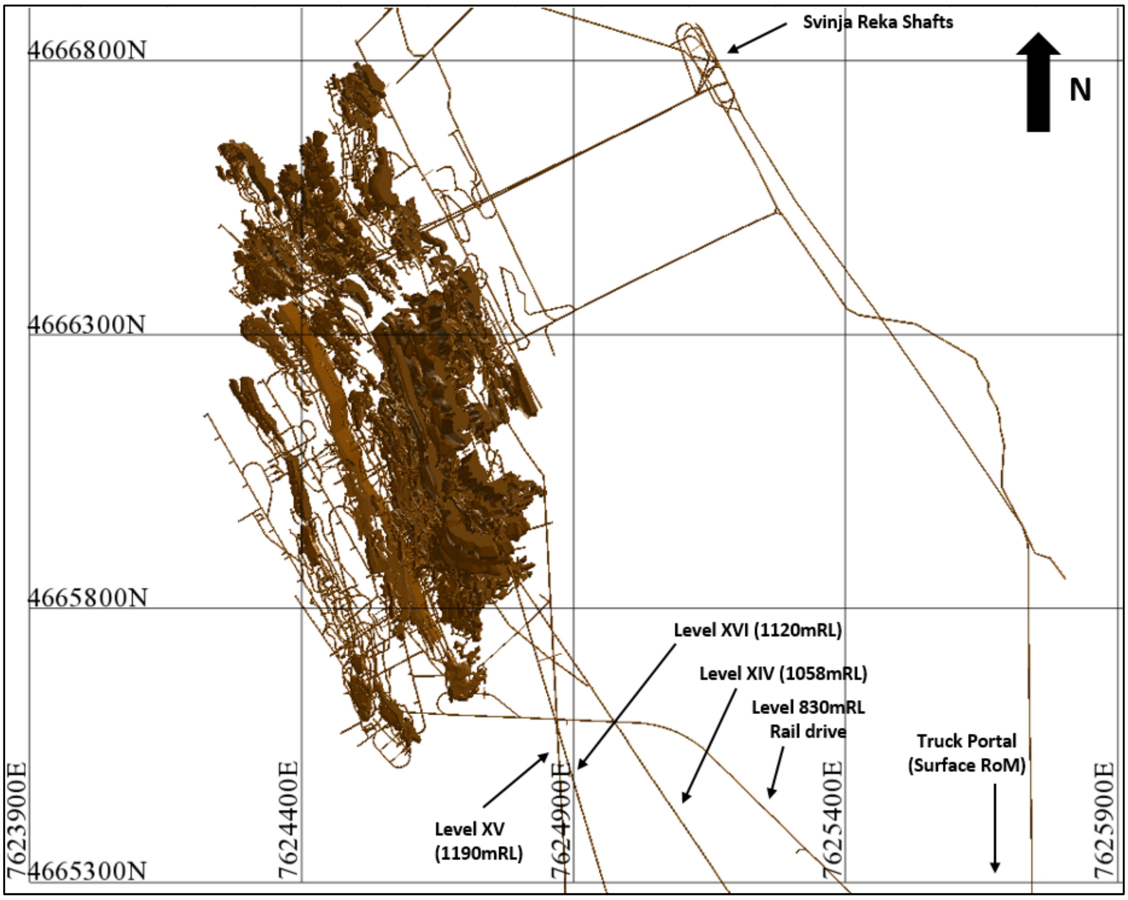


Figure 5-1: Plan view of existing development and mined stopes

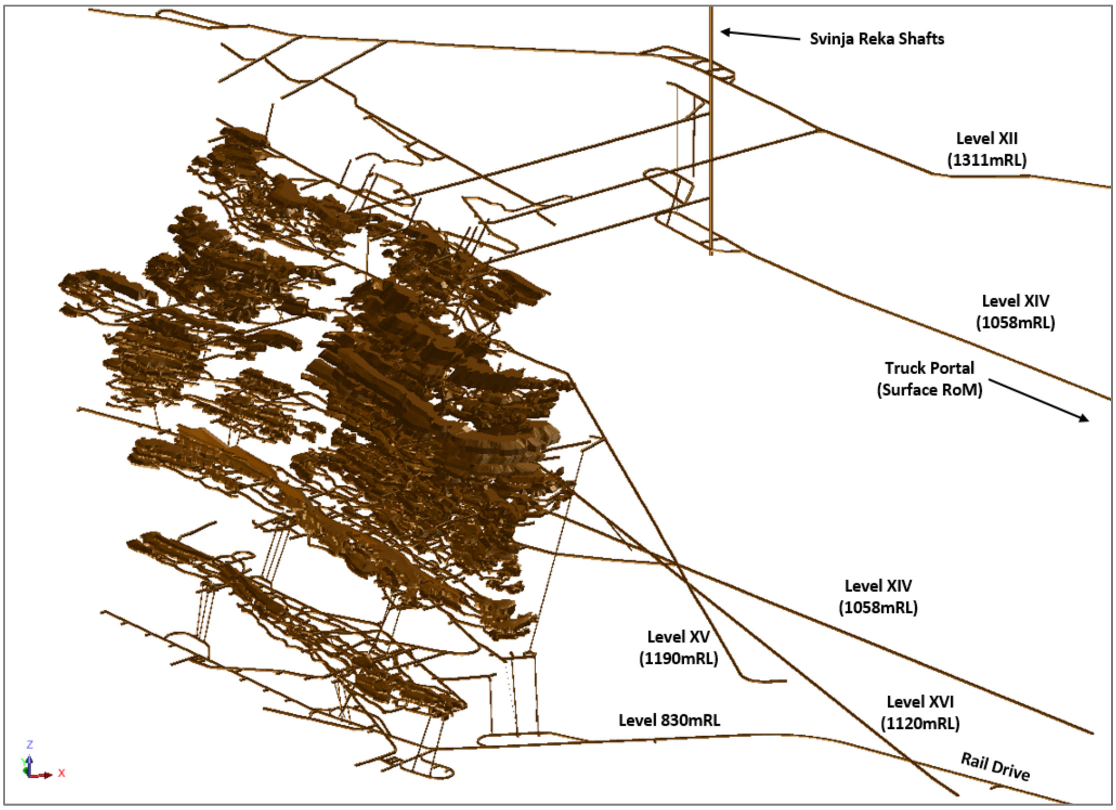


Figure 5-2: Oblique view of existing development and mined stopes

5.2 Local Mine Grid and Level Names

A local vertical grid has historically been used at SASA Mine for planning, which aligns better with the strike of the deposit, as shown in Figure 5-3 and Figure 5-4, showing the reference sections for Block 1, 2 and 3.

SRK understands that there are mining related legacies, such as where Level XVI is located between the elevations of Level XIV and Level XV. Typical level references at the SASA Mine and their corresponding main level elevations are shown as follows:

- Level XIV (1,058 mRL)
- Level XVI (1,120 mRL)
- Level XV (1,190 mRL)
- Level XII (1,311 mRL)

Note that not all levels are referenced in both roman numerals and on the mRL basis.

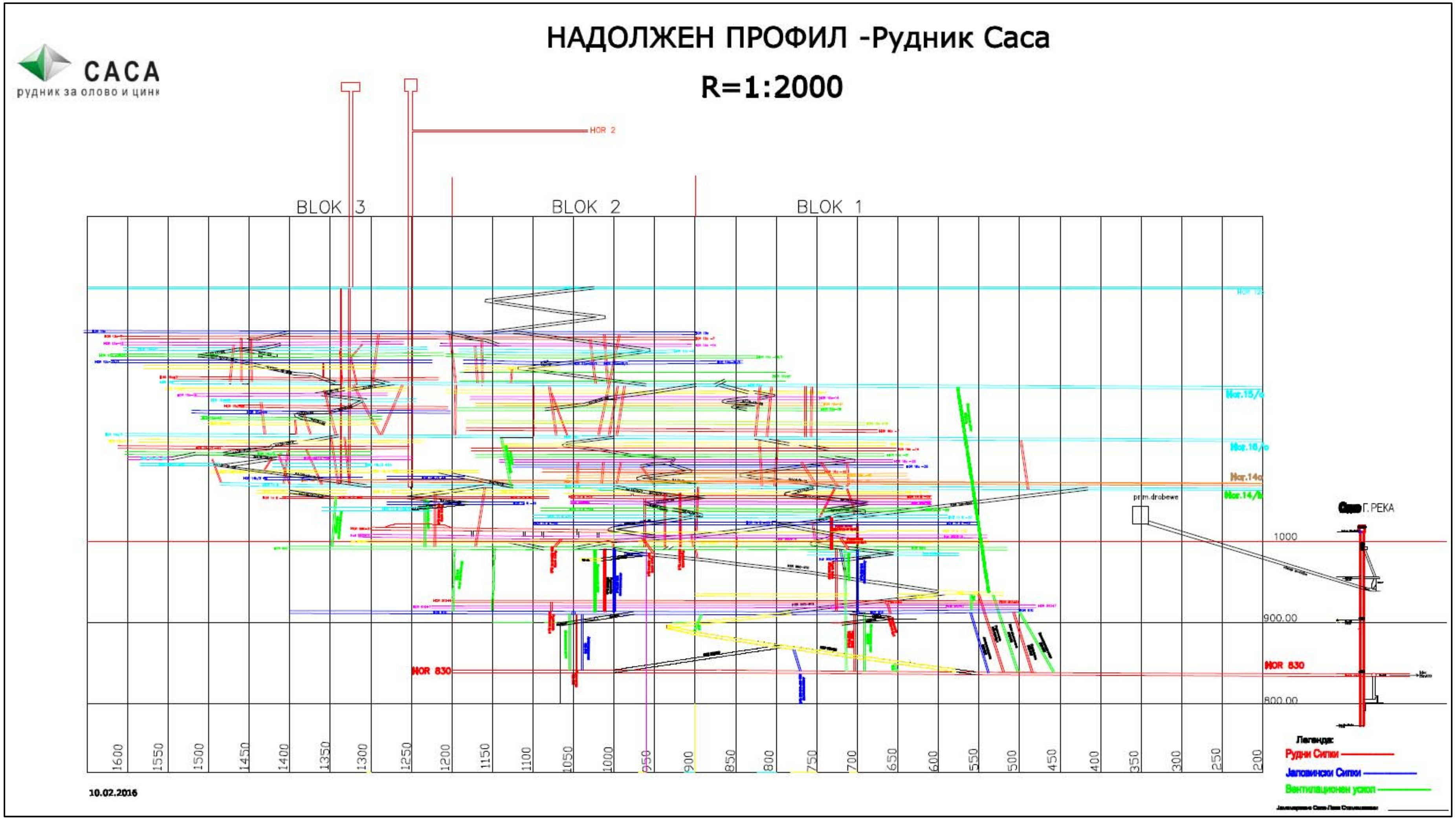


Figure 5-3: Long Section of the SASA Mine on the local vertical mine grid showing main underground accesses, ore passes (red), waste pass (blue) and ventilation raises (green)

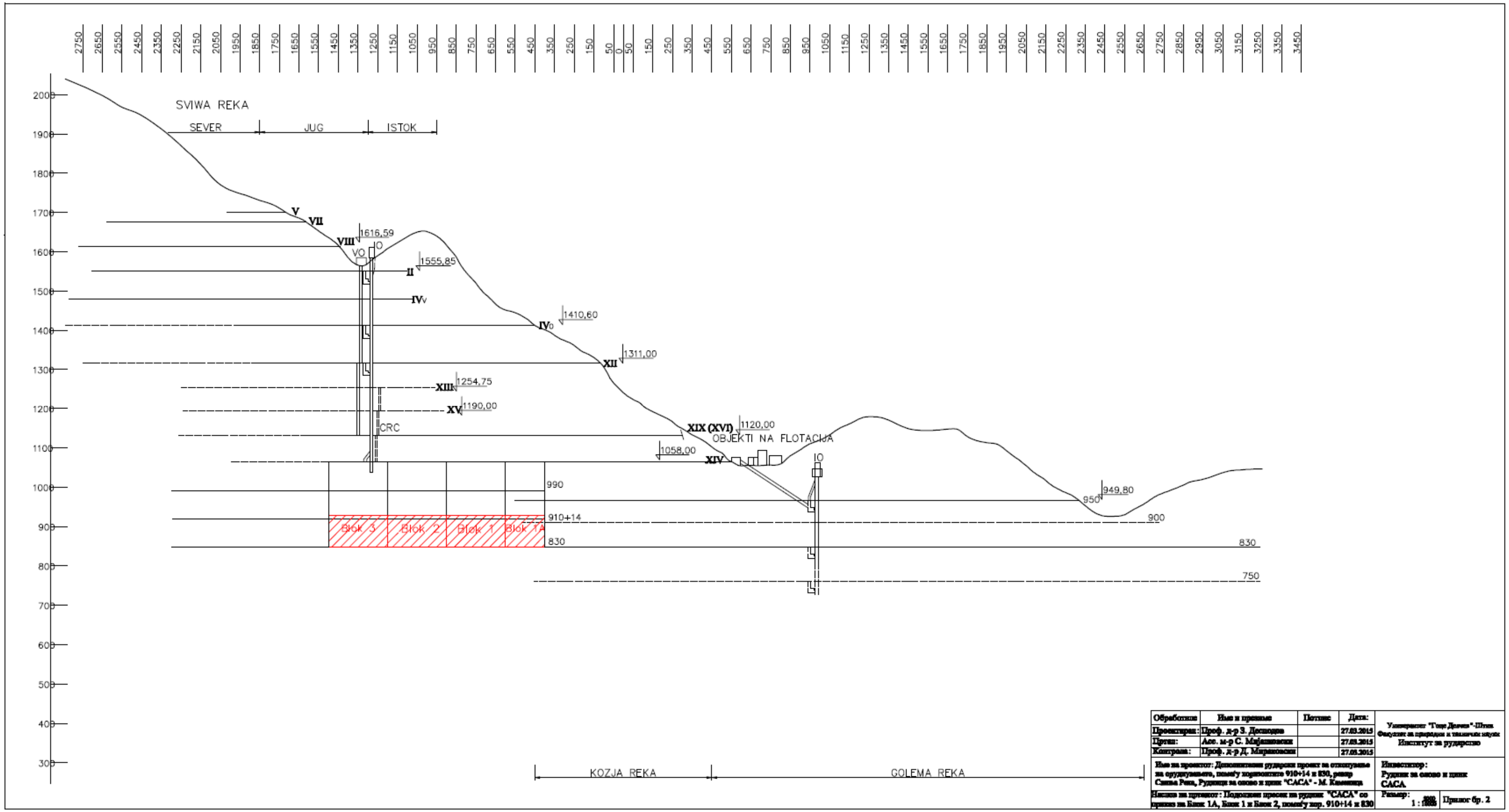


Figure 5-4: Long Section of the SASA Mine on the local vertical mine grid showing surface profile and location of main underground levels and infrastructure

5.3 Mining Method

The SASA Mine orebody comprises a series of shallow dipping (35 to 40□) lenses with horizontal thicknesses varying from 2 to 30 m over a strike length of 835 m. The mining method currently in use at the SASA Mine is sub-level caving. This mining method utilises a top-down approach without the use of backfill, with development and production drilling being undertaken using single boom jumbos (6 x Atlas Boomer S1D and 1 x Atlas Boomer 281).

Ore drives are excavated from a central ramp to the extremities of the orebody. A slot is mined and inclined production blast holes are drilled and blasted on retreat. Depending on its horizontal thickness, each orebody has either a single ore drive or two ore drives (see Figure 5-5), one close to the footwall contact and one close to the hanging wall contact. Where a single ore drive is used, cross-cuts are excavated to intersect the hanging wall and footwall to provide additional production drilling locations. The ore drives are mined 3.5 m wide by 3.5 m high and sub-levels are located every 7 m vertical. The hanging wall orebody is mined first, followed by the central orebody, and concluding with the footwall orebody. If the barren ore thickness between orebodies is less than 3 m, the two orebodies are combined into a single orebody and the waste is mined along with the ore. The weak hanging wall rock is allowed to cave naturally into the void left after the ore is mucked out. SRK understands that typically an undercut of 50 m has to be created before the hanging wall starts caving. Sill pillars of 5 m width are left in the orebody on main haulage levels to delay orebody dilution from the cave above. Main haulage levels are located every 80 m vertical. Current production haulage levels are the XIVb level on the 1,070 mRL, the 990 mRL level and the 910 mRL. The 830 mRL level is an exploration level.

As the orebodies are shallow dipping, an artificially steeper footwall is typically created and the jumbo drills upholes into the pillar above and retreat blasts in sequence to induce caving (Figure 5-6 to Figure 5-10). Figure 5-11 provides a long section schematic of the development and production approach. Typical cross section layout schematics of the deposit prior to and during development/production are provided in Figure 5-17 and Figure 5-18 respectively including the location of ore pass (pink) and ventilation raise (black) infrastructure.

The ore is extracted using underground loaders (5 x Atlas ST7, 2 x Atlas ST3.5 and 2 x CAT R1300) of 3.1 m^3 bucket capacity and the grade monitored for cave dilution in relation to the planned cut-off. The mined ore is transported to ore passes or loaded directly onto underground trucks (5 x Atlas MT2010, 20 t capacity) as convenient.

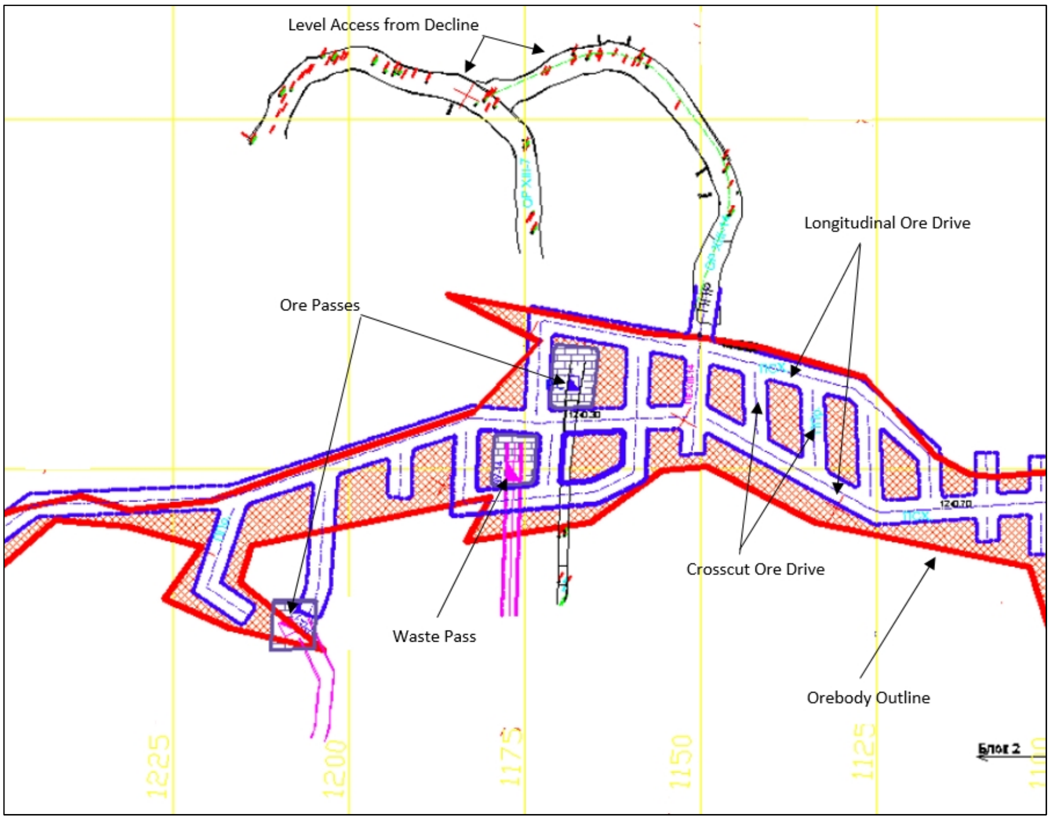


Figure 5-5: Production level: Typical Level layout

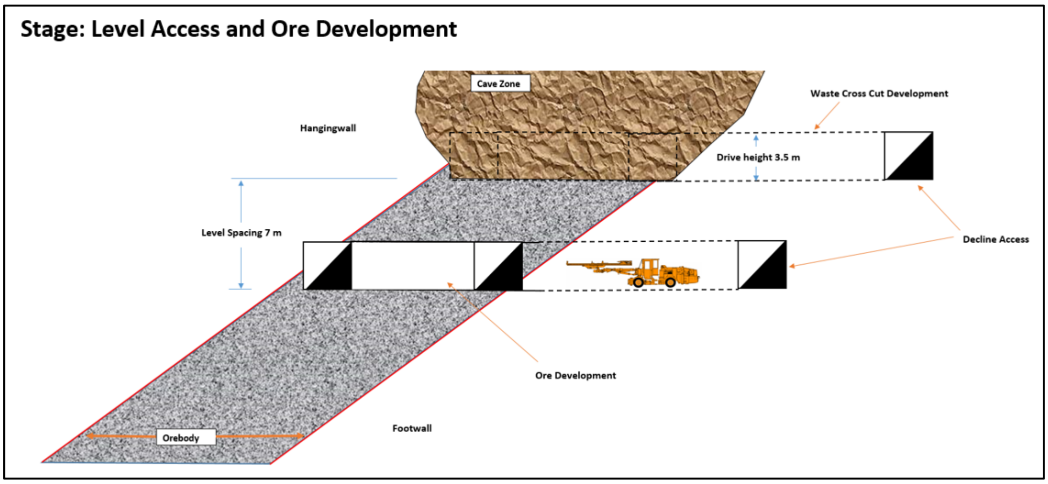


Figure 5-6: Cross-section schematic of level production – Level Access and Ore Development

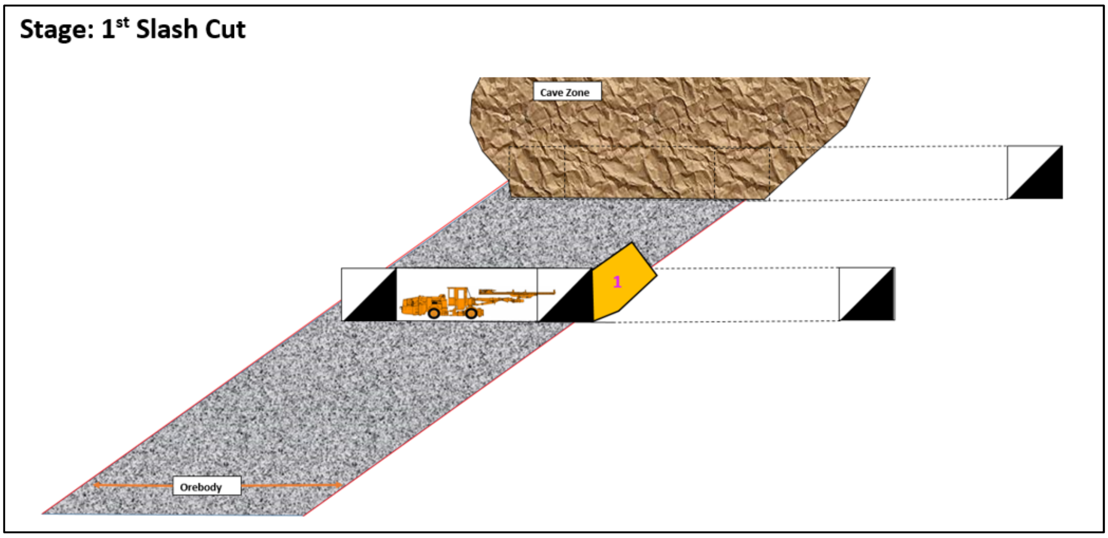


Figure 5-7: Cross-section schematic of level production – 1st Slash Cut

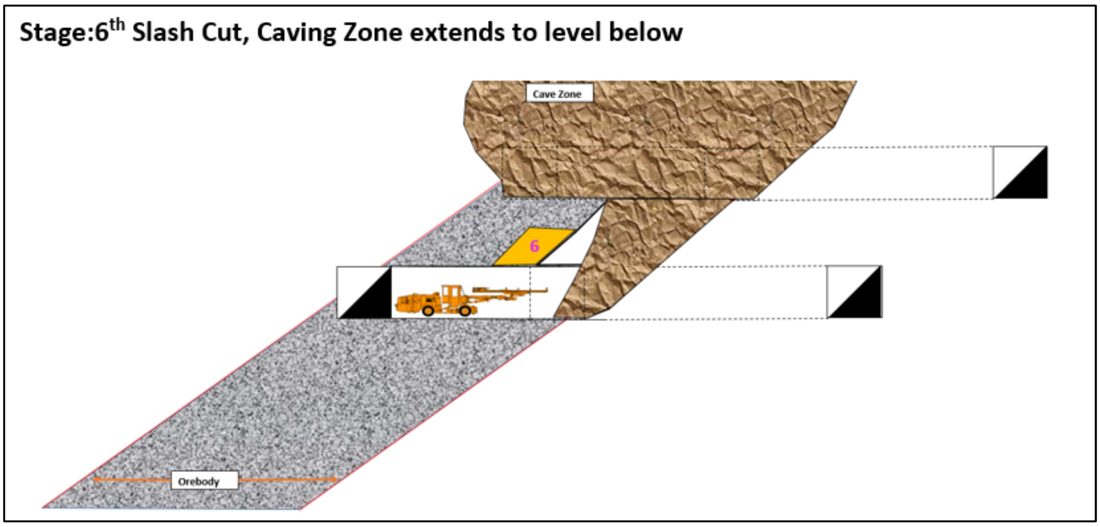


Figure 5-8: Cross-section schematic of level production – 6th Slash Cut

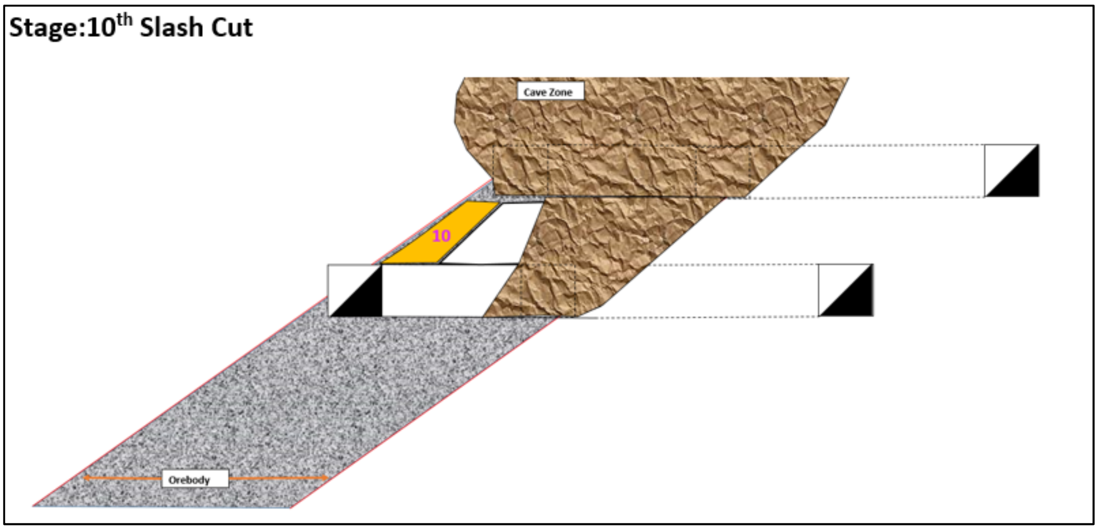


Figure 5-9: Cross-section schematic of level production – 10th Slash Cut

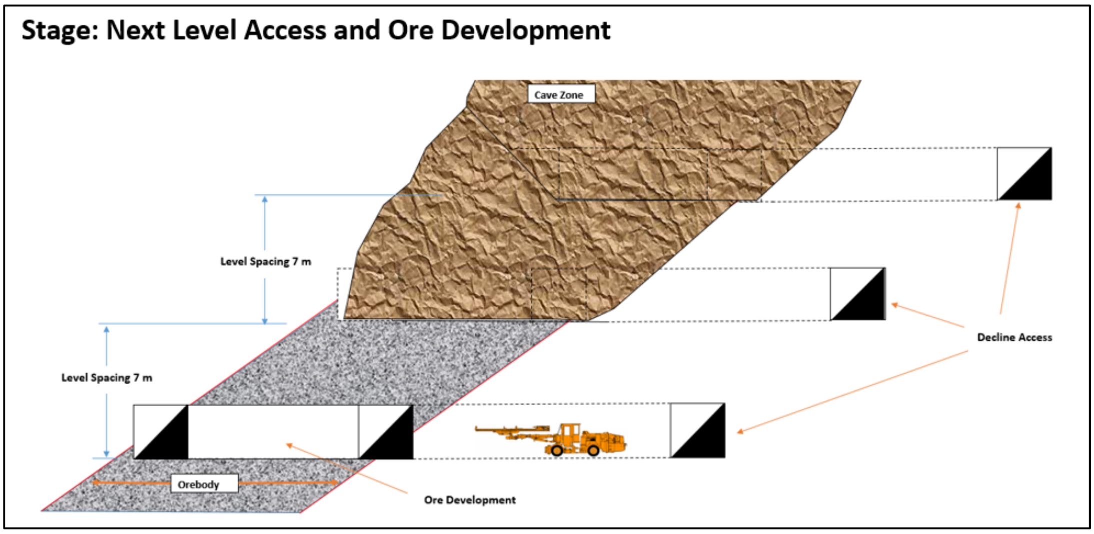


Figure 5-10: Cross-section schematic of level production – Next level development

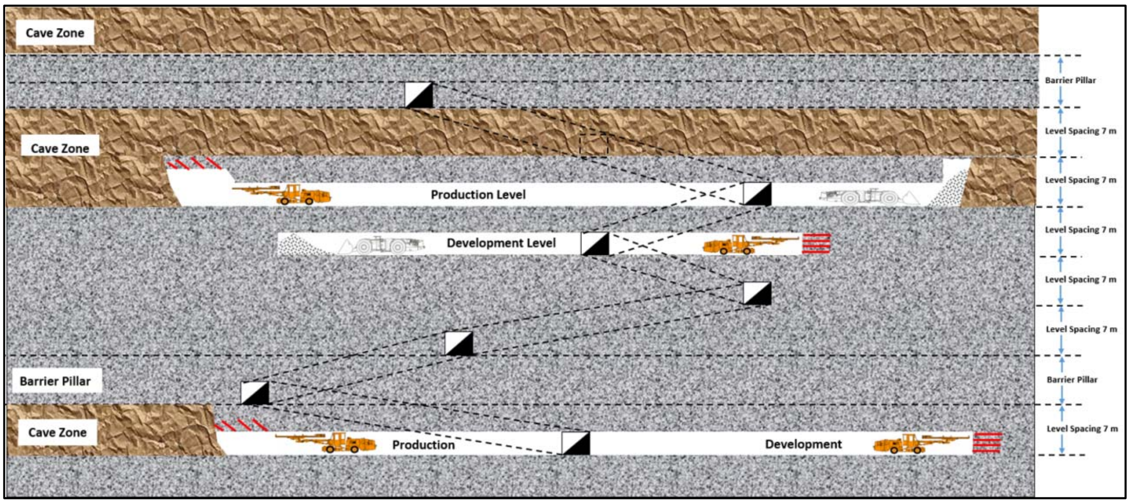


Figure 5-11: Long Section schematic showing mine development and production activities

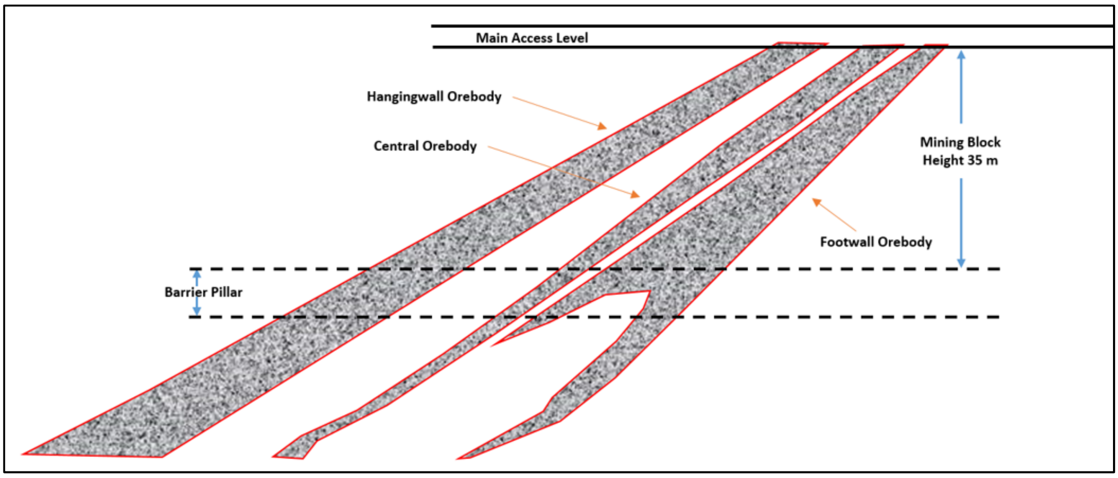


Figure 5-12: Cross-section schematic of production block prior to development

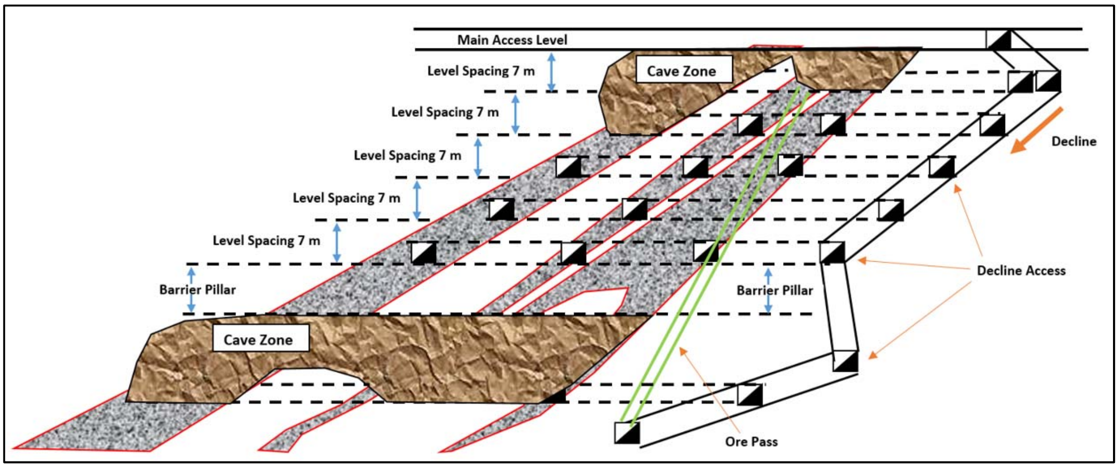


Figure 5-13: Cross-section schematic of production block during development and production

5.4 Underground Access

The Svinja Reka deposit is primarily accessed from adits developed into the mountainous terrain. The main adit into Svinja Reka is at an elevation of 1,058 mRL (the XIV Level), located above the processing plant and other mine surface infrastructure. Within Svinja Reka, the deposit extends for a vertical interval of greater than 700 m and the mine uses gravity transport of ore and waste through passes from the production levels to the loading levels. Additional raises are used for ventilation and dewatering.

The Golema Reka shaft (4.1 m diameter) has been sunk to access deeper parts of the orebody. A 3.2 km long adit has been developed to the Golema Reka shaft which accesses the bottom of the Svinja Reka deposit at the 830 mRL.

The Svinja Reka shaft (3.6 m diameter) was originally used for hoisting ore as well as men and materials between level 2a, 4, 12 and 14. The shaft is reported to have a depth of 537 m. SRK understands that the shaft is mainly used as an exhaust for ventilation purposes.

Drift dimensions at SASA Mine are typically 3.0 to 3.5 m in width and 3.0 to 3.5 m in height. The drift sizes keep the development waste to a minimum, but also limit the truck size to around 20 t capacity.

5.5 Materials Handling

The SASA Mine utilises two main materials handling systems for transporting ore and waste to the surface:

- Approximately 70% of the mine material (ore and waste) is sent through ore passes to the 830 mRL. The ore is transported by rail wagons (approximately 10 t capacity) a distance of 1.8 to 2.5 km to the Golema Reka shaft and hoisted 180 m to the surface (approximately 1,010 mRL);
- The waste is transported by rail through the 830 mRL adit to the surface and tipped. Following this, the waste is trucked to the tailings storage facility as capping material;
- The remaining 30% of the mined material is transported to the surface run of mine (“RoM”) using 20 t trucks, only above the 990 mRL up;

- Any waste is rehandled onto surface trucks and transported to the tailing storage facility as capping material.

Each production block is planned with at least three raises, one ore pass, one waste pass, and one ventilation raise. SRK understands that there are two ore passes per block of 600 m strike length which results in a maximum tram distance of around 150 m for the underground loaders.

5.6 Mine Equipment

The SASA Mine is predominantly using Atlas Copco equipment, which is maintained under a service contract with Atlas Copco. Other mining equipment onsite includes Caterpillar, Paus, Minka, Bobcat and Sandvik. The following main equipment is in use at the mine:

- Drilling Jumbos:
  - 1 x Rocket Boomer (281),
  - 6 x S1D Boomer;
- Bolting Jumbos:
  - 1 x Boltec 232;
- Underground Loaders:
  - 2 x ST3.5 loaders,
  - 5 x ST07 loaders,
  - 2 x CAT R1300 loaders;
- Underground Trucks:
  - 5 x MT2010 (20 t capacity),
  - 1 x MT413 (13 t capacity); and
- Ancillary Equipment:
  - 3 x Minka Man transport,
  - 1 x Minka Fuel truck,
  - 1 x Paus grader,
  - 4 x Paus Elevated work platforms,
  - 1 x Paus rock breaker,
  - 4 x Bobcats,
  - 1 x Cat skid steer loader,
  - 1 x Sandvik Toro 151 service loader.

5.7 Ventilation

The primary ventilation fan at the SASA Mine is a 450 kW Zitron ZVN, used in an exhaust capacity, located at the portal of Level 16 (1,120 mRL), and draws an estimated 82 m^3/s.

Another primary ventilation fan (75 kW Klima Ceije) is used for drawing fresh air from

Level 14b (1,065 mRL) to a raise which connects with Level 16.

The main fresh air intakes are reported to be:

- Level 830 mRL (8 m^3/s)
- Golema Reka Shaft (24 m^3/s)
- Level 14b adit (52 m^3/s)

SRK understands that air exhausts from the Svinja Reka shaft (surface elevation of 1,582 mRL) at a rate of 18 m^3/s and from the Level 15 adit (1,190 mRL) at 12 m^3/s.

Fresh air is delivered through upcast raises and force vented using smaller auxiliary fans (typically 15/30 kW) and small diameter (670 mm) flexible ducting.

Figure 5-14 provides a schematic view of the primary ventilation circuit at the SASA Mine.

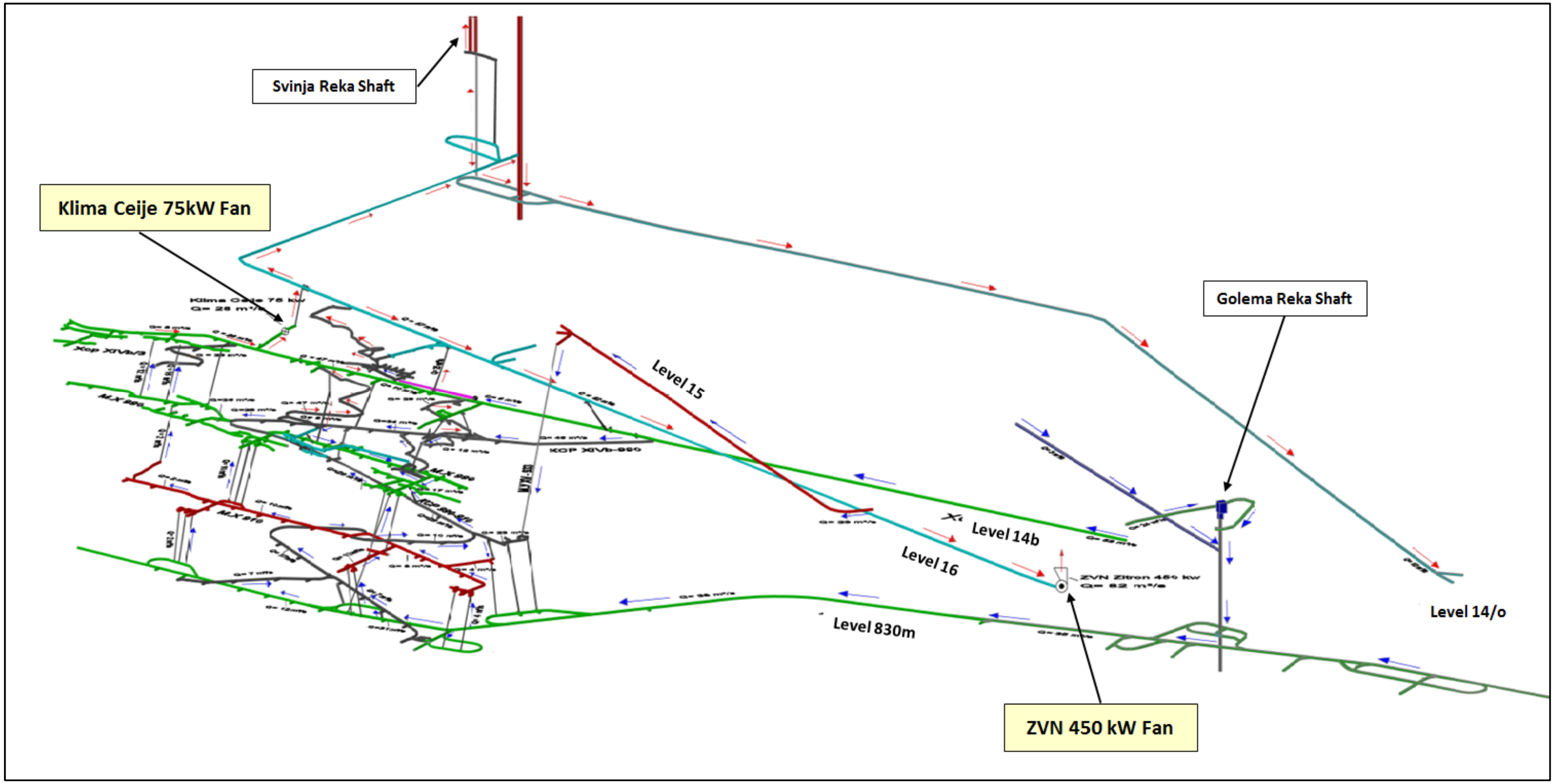


Figure 5-14: Schematic view of SASA Mine primary ventilation

5.8 Mine Power

The high voltage ("HV") power from the state grid to the underground mine is fed at 35 kV to three transformers where the voltage is stepped down to 6 kV with a capacity of 4 MVA. Extensions to the HV circuit are typically required every vertical 50 m in the mine where 250 kVA transformers step down to a working low voltage ("LV") of 380 V in the underground mine. HV cables are typically routed down through sub-vertical ventilation and escapeway accesses to reduce cable lengths (reducing costs and voltage drop).

The main requirement for underground power in the mine is for electric drills, ventilation fans (primary and auxiliary) and the rail system on the 830 mRL.

5.9 Compressed Air

The mine utilises compressed air for charge-up, shotcreting and airleg mining support activities from three ER8 compressor units (two working, one standby) supplying approximately 63 m^3/min at 7 bar. Compressed air is reticulated via pipes (ranging in diameter from 63 to 160 mm) which are located in shafts and ramp accesses through to working areas.

5.10 Water Management

The SASA Mine is dewatered primarily by gravity drainage to two levels: the 1,060 mRL (Level XIV), and at 830 mRL. Water inflow to the underground mine is a combination of groundwater, surface water (through the cave and mine openings) and from mining activities (for example, drilling activities and watering down after blasting). No significant increase in groundwater inflow is expected over the life of mine; however, it is important to monitor the inflows through the caved zones in the upper levels, particularly during periods of high seasonal rainfall.

The adit on the 1,060 mRL (Level XIV) captures a majority of the water inflow from the upper levels and directs this to a settlement facility on the surface before being piped to the tailings facility for management.

Any water entering the 830 mRL between the adit and main hoist shaft flows out the adit to a series of settlement ponds before discharging to the local river.

The main mine pump station comprises two multiple stage Wilco pumps which are estimated to manage approximately 860 m^3/day of water inflow (approximately 10 l/s) which discharge to the settling ponds close to the adit at 830 mRL.

Further details on the underground dewatering approach and management is provided in Section 8.3.

5.11 Backfill Plant

Until 2009 a cut and fill method was used to mine the Golema Reka zone and the backfill plant is under care and maintenance on the surface. This backfill plant is still intact and is used to temporally store the contents of the flotation circuit at certain times when the process plant is under maintenance. Lynx Resources has informed SRK that the fill tank and pumps are all in working order and in order to reuse the facility, to restart backfill underground, the cyclone cluster would need to be replaced. The underground fill reticulation piping system is unused since 2009 and would require replacement for Golema Reka, and extending to Svinja

Reka, if the cut and fill method was implemented below 830 mRL.

5.12 Future Mine Infrastructure

The LoMp includes all the capital mine development (ramps, cross-cuts, rises); however, as the mine proceeds below 830 mRL and/or considers recommencement of mining at Golema Reka, the following future mine infrastructure will be required:

- ramps and cross-cuts to access the three ore zones;
- rises for ventilation, escapeways, ore and waste material movement including associated tips and loading chutes;
- pump station for dewatering with associated piping;
- booster fans within the primary circuit to ventilate the lower zones and assist the Primary fans due to higher circuit resistance;
- truck tips above the 830 mRL rail level to allow the mined material to enter the existing rise, chute, rail, shaft transport route out of the mine; and
- any backfill reticulation required if the mining method is changed to cut and fill.

If the future reserves at depth justify the expense, then other larger capital investment can be considered (such as underground crushing and conveying, shaft extensions, etc).

5.13 Life of Mine Planning

5.13.1 Cut-off Strategy

Historically, the SASA Mine has used a grade cut-off strategy defined by the Shtip Institute and approved by the Macedonian State of a combined metal resource grade of 2% (Pb + Zn).

Lynx Resources has undertaken a Net Smelter Return cut-off sensitivity analysis on the Mineral Resource block model which SRK verified with stopes generated using the Deswik Stope Optimiser software. Table 5-1 provides a summary of the metal price and cut-off parameters (based on historical performance) used in the analysis. Conservative cut-off parameters for metal prices and commercial assumptions have been used to prepare a robust resource basis for the LoMp.

The analysis assessed a range of NSR cut-off values and the stope optimiser results (using the Deswik software) and Lynx Resources determined that a NSR cut-off of USD30/t (based on a break-even operating cost) provided a suitable basis for the mine design and life of mine schedule.

Table 5-1: Summary of NSR cut-off parameters

Item	Units	Value
Macro-economic assumptions		
Zinc	(USD/t)	2,150
Lead	(USD/t)	1,950
Silver	(USD/oz)	14
FX	(EUR:USD)	1.06
Concession fee	(%)	2%
Operational		
Throughput	(ktpa)	780
Zn Recovery	(%)	85.5%
Pb Recovery	(%)	94%
Ag Recovery	(%)	70%
Commercial Assumptions		
Zn TC	(USD/dmt conc)	232.5
Pb TC	(USD/dmt conc)	218.3
Freight	(USD/dmt conc)	20.1

5.13.2 Underground Mine Design

The underground design for the SASA Mine has been undertaken using the Deswik software. The design considers a similar approach as used historically for access and materials handling at the mine and is based primarily on the Mineral Resources classified as Indicated in the Svinja Reka deposit to be considered for Ore Reserves according to the JORC Code (2012). The additional Inferred Resources from both Svinja Reka and Golema Reka deposit are considered in the later years of the plan, but excluded from the Ore Reserves.

With respect to the Svinja Reka deposit, the following approach has been applied in developing the mine design:

- includes Indicated and Inferred Mineral Resources;
- detailed design and schedule in Deswik;
- assumes inclusion of 100% of Indicated tonnes and conversion of 70% of Inferred to Indicated tonnes;
- modifying factors applied: 82% recovery, 21.9% dilution;
- Sub-level caving mining method; and
- NSR cut-off of USD30/t.

With respect to the Golema Reka deposit, the following design parameters have been applied, due to the different mining method:

- all Inferred resources;
- manually scheduled;
- assumes cut and fill mining with tailings backfill;
- assumes 50% of Inferred tonnes are converted to Indicated tonnes;
- modifying factors applied for cut and fill: 95% recovery, 8% dilution; and

- NSR cut-off of USD35/t, additional USD5/t for the placement of tailings backfill.

The defined stope shapes extend from the 1,054 mRL to a lowest elevation of 797 mRL on a level spacing of 7 m, over a strike length of 835 m. The main lower access of the existing mine development is an exploration decline ramp some 24 m below the 830 mRL (approximately 837 mRL in the vicinity of the orebody), which is only 20 m above the lower elevation of the stope shapes considered in the mine design. Figure 5-15 to Figure 5-17 provide a number of views of the existing mine development and mined stopes (brown) and the stope design based on the optimised shapes from an NSR cut-off of USD30/t (green).

Whilst some of the Inferred material of the Svinja Reka deposit is located below existing infrastructure, access will be possible without the need for significant additional infrastructure.

There is significant underground development already in place at the mine and the additional designed access development (decline and cross-cut) is shown in Figure 5-18 and Figure 5-19. All new development is based on cross sectional areas of 9 to 12.5 m^2, with the exception of vertical development which is based on 4 m^2 cross sectional area. The density used for waste tonnes is 2.9 t/m^3.

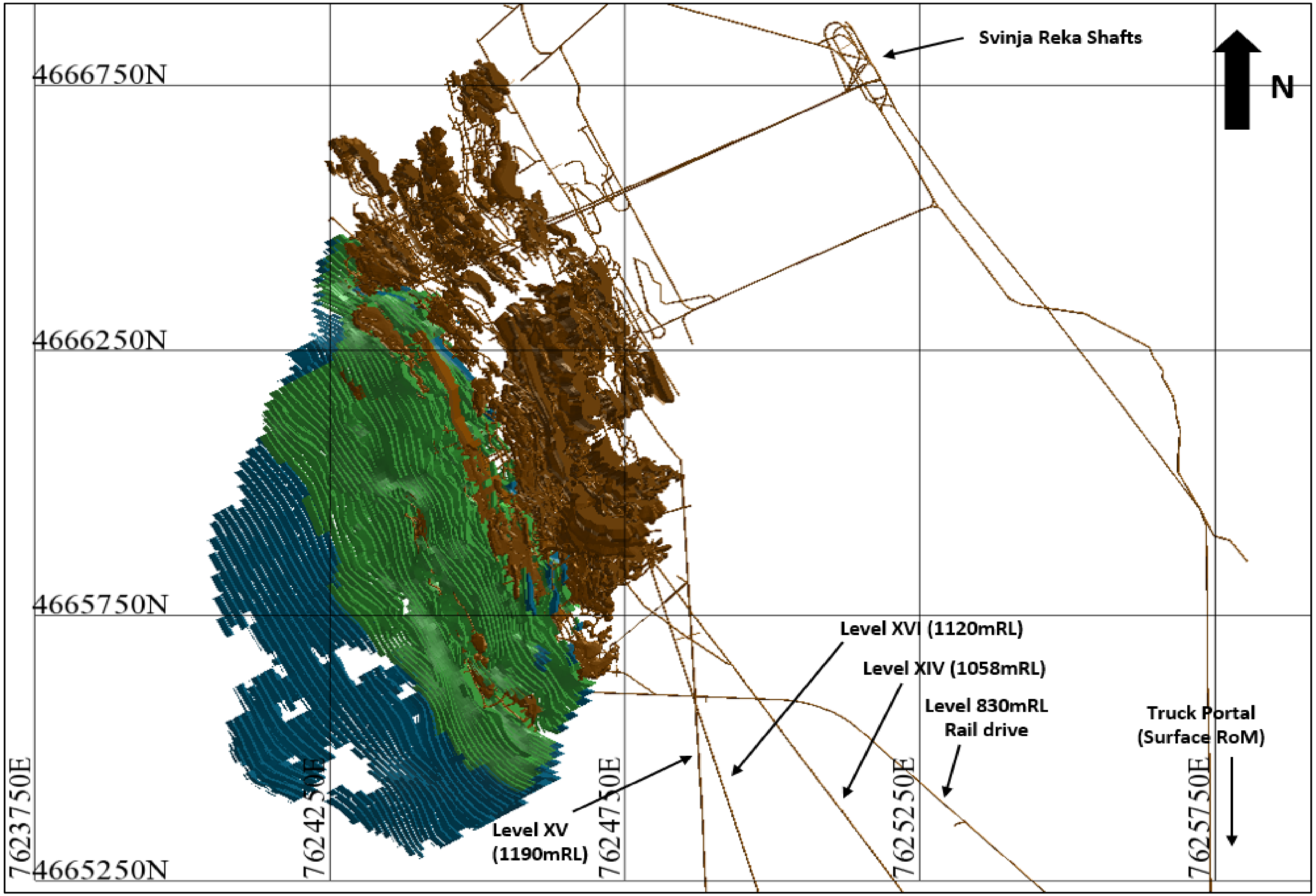


Figure 5-15: Plan view of existing development and mined stopes (brown) and planned stopes using Indicated (green) and Inferred (blue) Resources

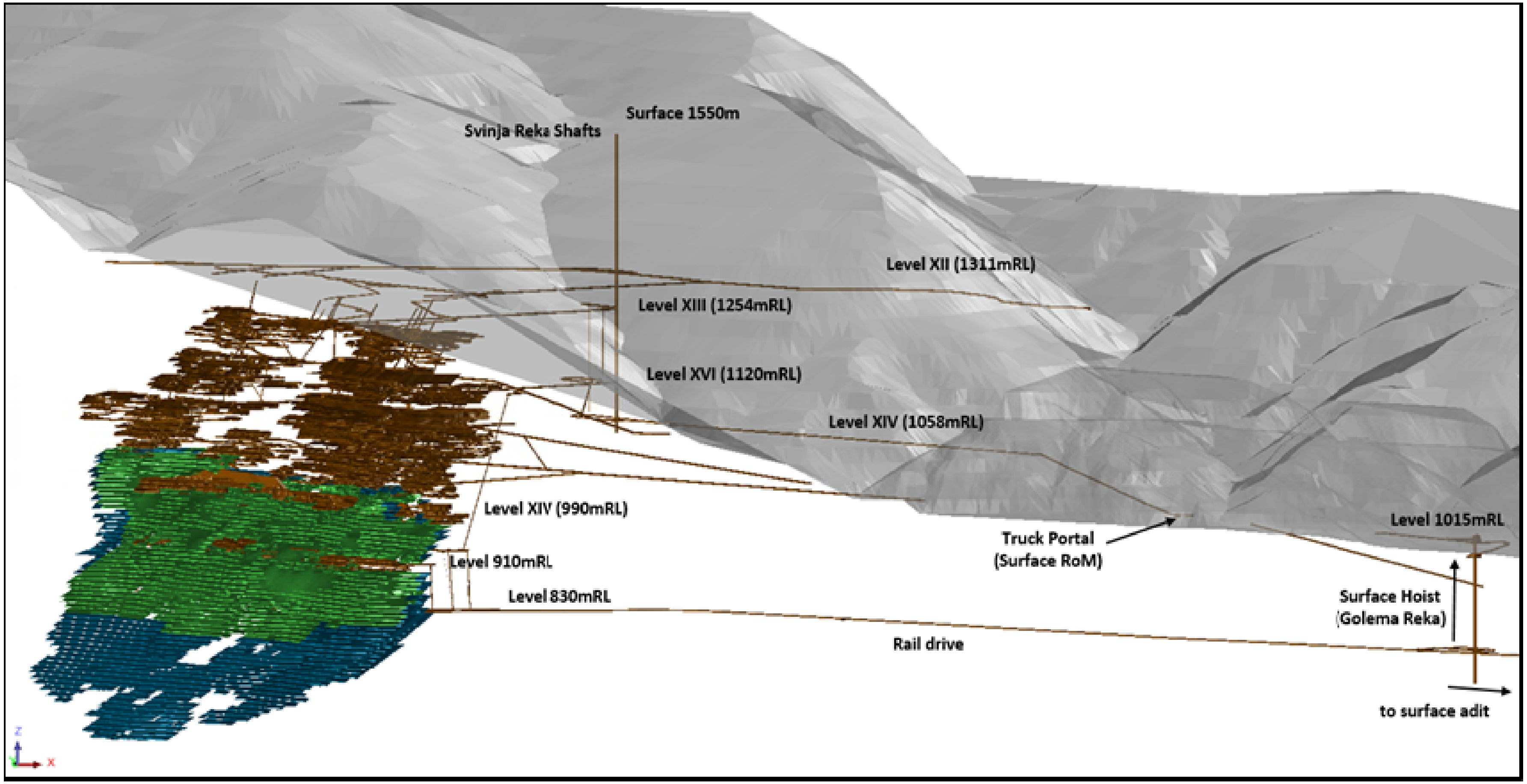


Figure 5-16: Oblique view showing existing development and mined stopes (brown) and planned stopes using Indicated (green) and Inferred (blue) Resources, looking north

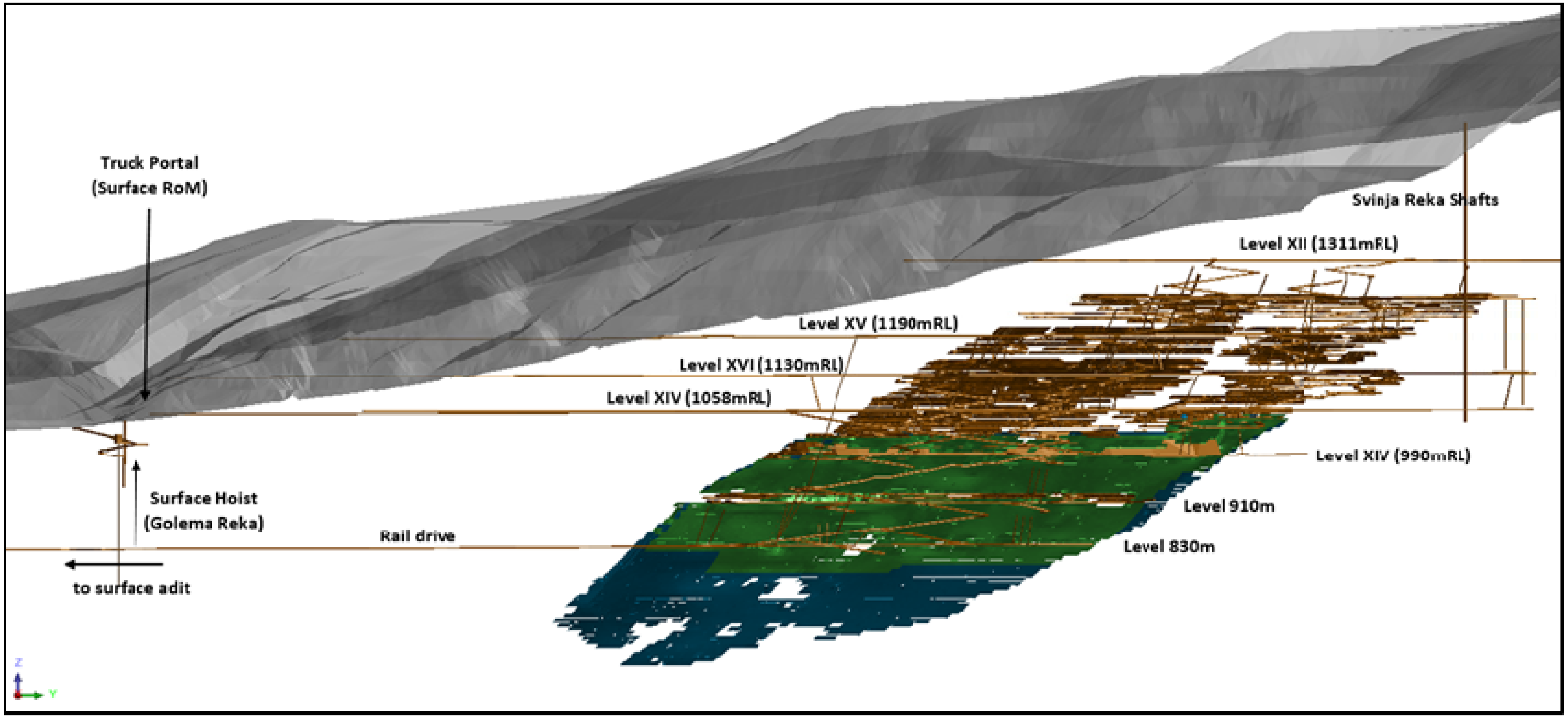


Figure 5-17: Section view of existing development and mined stopes (brown) and planned stopes using Indicated (green) and Inferred (blue) Resources, looking west

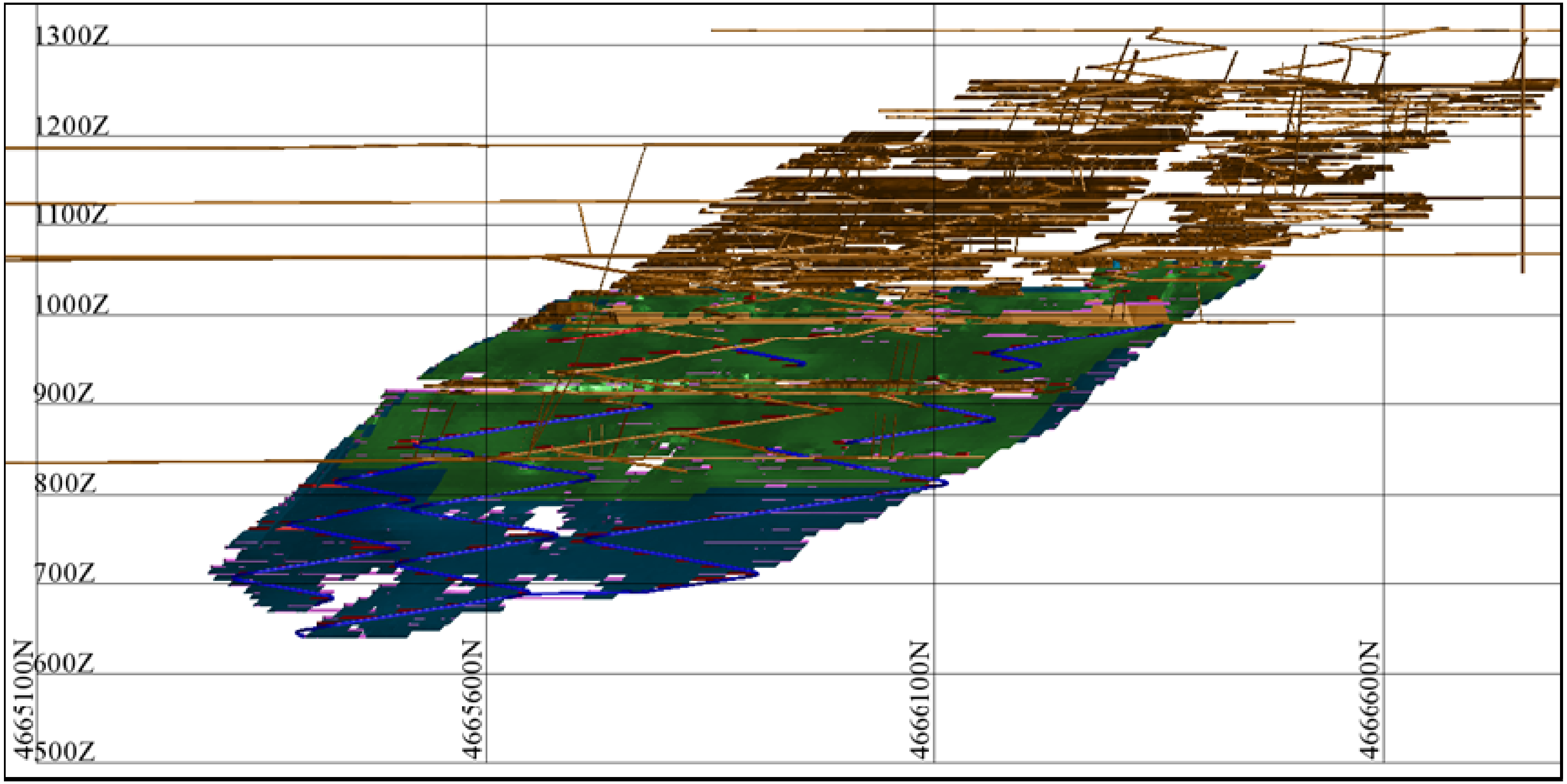


Figure 5-18: Section view of existing development and mined stopes (brown) and planned stopes using Indicated (green) and Inferred (dark blue) Resources, decline (light blue) and cross-cut development (red), looking west

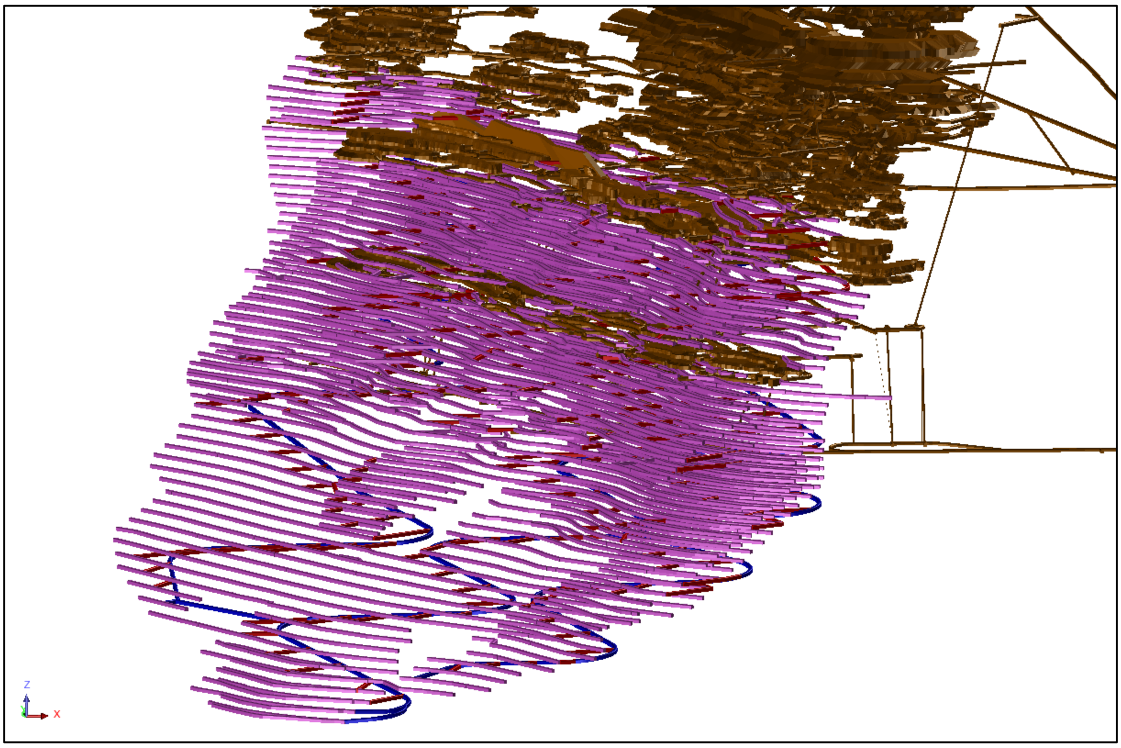


Figure 5-19: Oblique view of existing development and mined stopes (brown), decline (blue), cross-cut (red) and ore development (pink), looking north east

5.13.3 Modifying Factors

The mine modifying factors (dilution and losses) applied to the mineable stope shapes are based on reconciliation of historical production at the SASA Mine.

External dilution is a result of the sub-economic material from outside of the planned mining boundary diluting the ore production. External dilution from development can be controlled more easily than stope dilution due to the reduced excavation size. The caving method incurs dilution due to the uneven boundaries of ore and drawdown of waste, which can have a material impact on the production ore grade.

Internal dilution, which is defined as the inclusion of sub-economic material within the stoping boundary, is added to the inventory by compositing the block model blocks within the stoping shapes. Any low grade, Inferred, or unclassified material is added in terms of tonnes, but not in grade, in the mineable stope shapes. The grade of all three payable metals (lead, zinc and silver), is quantified in the mine schedule to determine the contained sulphur in the planned mill feed.

Mining losses occur as a result of:

- footwalls and hanging walls not breaking cleanly to desired profiles (underbreak);
- ore left on floors and walls during bogging (uneven ground, bucket shape);
- ore faces going to waste, due to incorrect visual grading and/or trucking to incorrect pass system;

- local ground conditions/failures leading to incomplete mining of a stope;
- allowance for leaving behind local pillars for ground support;
- excessive dilution which sterilises ore from overbreak or caving; and/or
- oversize that cannot be removed from the stope.

In caving operations, ore will be lost due to the waste material entering the draw point and diluting the ore below economic limits. The historical losses at the SASA Mine are estimated to be 18% loss of tonnes, which includes pillars lost in the extraction from the level above.

The overall mine modifying factors applied to the in situ stope tonnes are 21.9% dilution and 18% losses from the cave mining method. This approach does not take into account the variable orebody thicknesses; however, it is understood to reconcile well globally for resource estimation versus mill feed. Table 5-2 shows the historical planned versus actual production at the SASA Mine for 2013 to H1 2017, used by Lynx Resources to select the modifying factors for the LoMp.

Table 5-2: Historical planned versus actual production at the SASA Mine 2013 – H1 2017

Description	Units	2013	2014	2015	2016	H1 2017
Planned Production						
Total Ore Mined	(kt wet)	793	798	798	798	401
	(kt dry)	765	770	770	770	381
Lead grade	(% Pb)	3.98	4.09	4.07	3.99	3.97
Zinc grade	(% Zn)	3.52	3.47	3.49	3.31	3.26
Actual Mine Production						
Total Ore Mined	(kt wet)	807	809	806	807	402
	(kt (ry)	777	780	780	783	391
Lead grade	(% Pb)	4.13	4.16	4.04	3.95	4.01
Zinc grade	(% Zn)	3.47	3.48	3.52	3.41	3.20

The two existing barrier pillars, on 990 mRL and 910 mRL, were excluded from the stope inventory during the stope optimisation work (Figure 5-20). Also, any material adjacent to the hanging walls of existing or mined out stopes was removed along with any isolated stopes. The pillars generated as part of the development process and partially recovered during caving are taken into account in the ore loss factor.

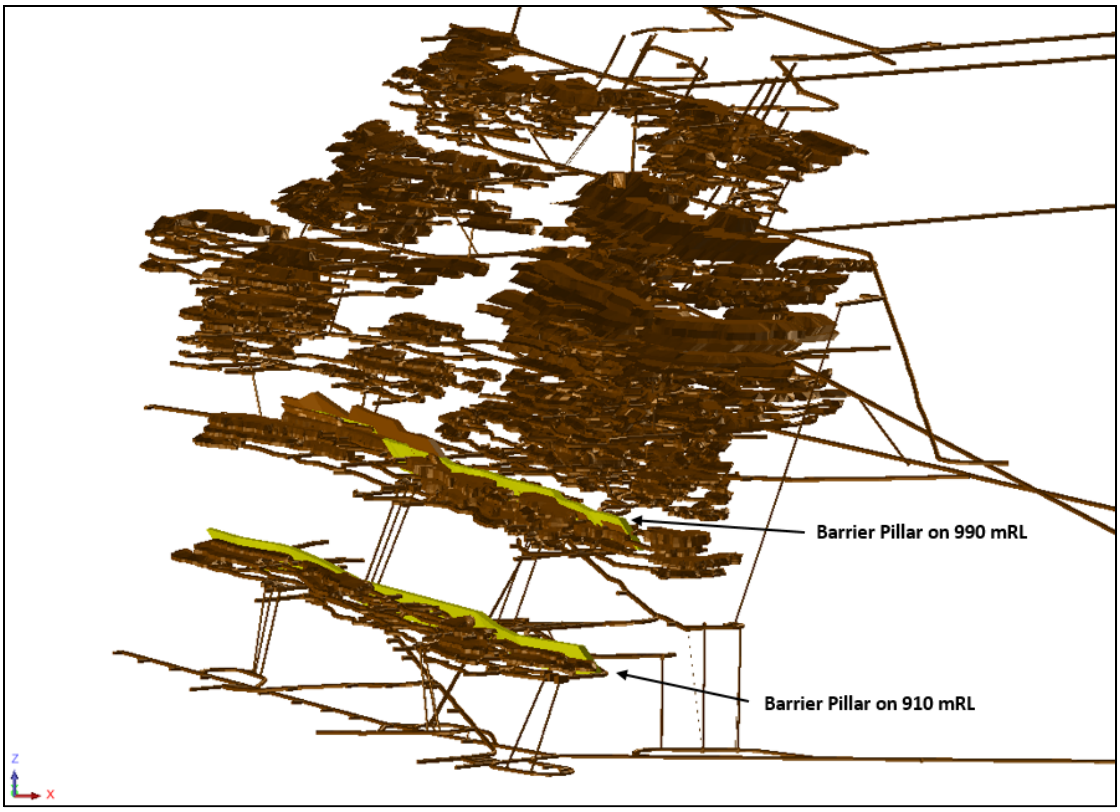


Figure 5-20: Oblique view of existing development and mined stopes (brown) and barrier pillars (yellow), looking north

5.13.4 Mining Schedules (LoMp)

The mine development and production physicals have been reported on 3.5 m levels from the design (development and stoping solids) and block model, with the modifying factors applied prior to scheduling with the Deswik software.

Lynx Resources has prepared a LoMp that relies predominantly on the Indicated Resources at the Svinja Reka deposit (to support the declaration of Ore Reserves), but also includes Inferred Resources from Svinja Reka and also Golema Reka deposits; the SASA LoMp therefore includes Indicated and Inferred Resources.

The LoMp schedule extends over a period of just under 22 years (H2 2017 to Q1 2038), commencing at an ore production rate of 770 ktpa (dry) in 2017, followed by 20 years (2018 to 2037) at 780 ktpa (dry) and a small amount of production in 2038 (approximately one month). The historical production indicates that there is typically an average moisture content of 3.6%. Figure 5-21 shows a graph of the estimated annual ore tonnage with lead and zinc grades scheduled over the LoM. Silver grades are estimated based on a correlation with lead grades within the ore and average 18.1 g/t Ag over the LoM. Silver grades are routinely analysed from mill feed composites and lead concentrates; these results appear to suggest that the Ag grade is generally higher than that predicted by the Pb-Ag regression derived from the drill core samples. SRK considers that this suggests that, in addition to the strong correlation to Pb, there may be another control on Ag distribution at SASA Mine that is currently not understood or captured in the Mineral Resource model. In the absence of any specific assay data for silver, however, for the purposes of Mineral Resource Estimation, life of mine planning and the statement of Ore Reserves, the silver-lead correlation has been applied.

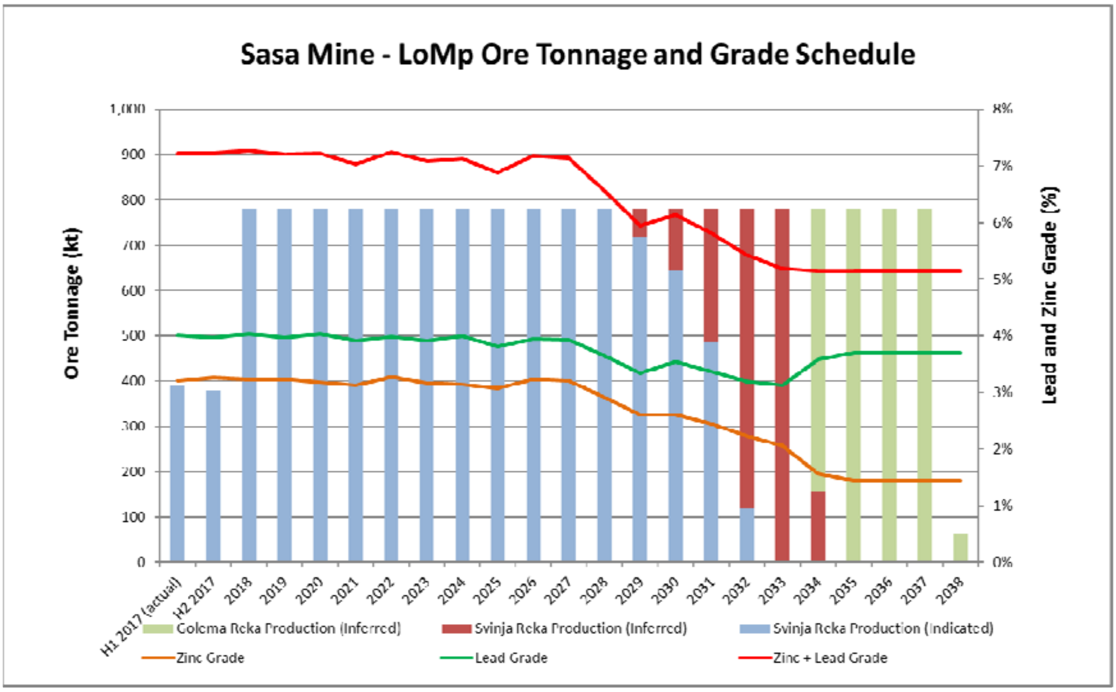


Figure 5-21: LoMp Ore Tonnage and Grade Schedule

The underground development (including rehabilitation) has been categorised and is scheduled annually over the mine life as shown in Figure 5-22. Development waste generated from mining activities is estimated to total 1,395 kt over the LoM, with maximum annual tonnage of 83.5 kt (in 2017) and average of annual tonnage of 65 kt (or 8.7% of total material mined annually). SRK understands that all development waste generated underground is transported to the surface. The schedule which supports the LoMp is presented in Table 5-3. SRK notes that there were a number of minor manual schedule adjustments to match the current year, 2017, with the existing budget schedule.

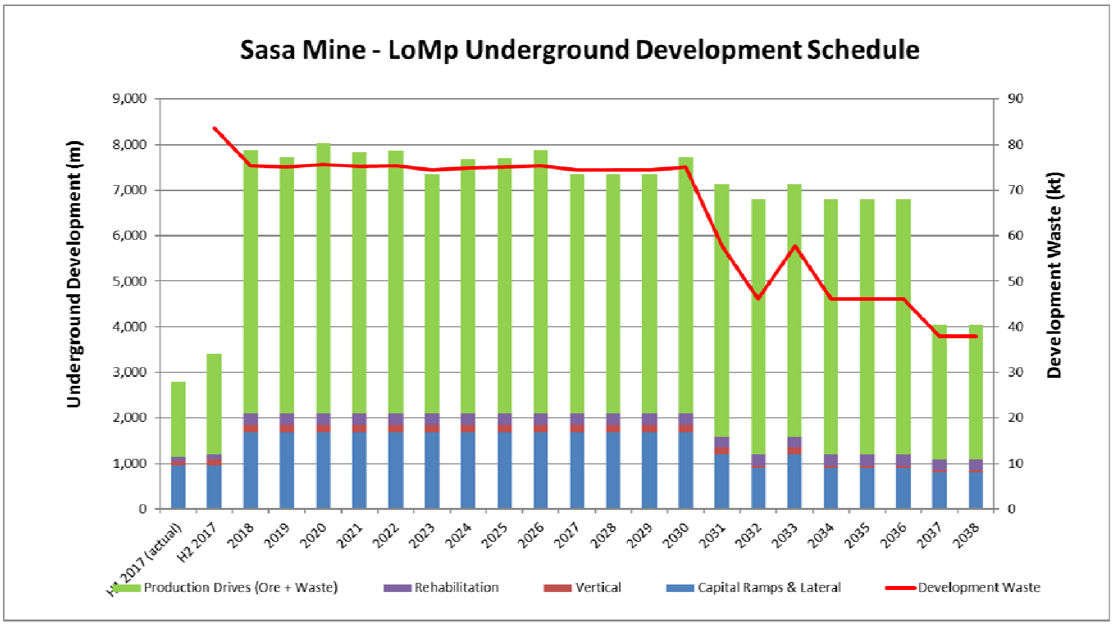


Figure 5-22: LoMp Underground Development Schedule

Table 5-3: LoMp Key Physicals, Mine Production, and Development

Item	Unit	LoMp Total	H1 2017 (actual)	H2 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Svinja Reka Production (Indicated)	kt	**10,927**	391	379	780	780	780	780	780	780	780	780	780	780	780	719	642	488	119						
Lead grade	%Pb	**3.85**	4.01	3.97	4.03	3.97	4.03	3.91	3.98	3.92	3.99	3.81	3.95	3.92	3.65	3.37	3.63	3.52	3.57						
Zinc grade	%Zn	**3.08**	3.20	3.26	3.24	3.24	3.18	3.13	3.27	3.16	3.14	3.07	3.23	3.21	2.91	2.65	2.72	2.68	3.19						
Silver grade	g/t Ag	**18.4**	19.8	19.8	18.6	18.8	19.0	18.6	18.8	18.6	18.8	18.2	18.7	18.6	17.6	16.5	17.5	17.1	17.3						
Svinja Reka Production (Inferred)	kt	**2,088**														61	138	292	661	780	156				
Lead grade	%Pb	**3.12**														3.12	3.12	3.12	3.12	3.12	3.12				
Zinc grade	%Zn	**2.06**														2.06	2.06	2.06	2.06	2.06	2.06				
Silver grade	g/t Ag	**16.1**														16.1	16.1	16.1	16.1	16.1	16.1				
Golema Reka Production (Inferred)	kt	**3,026**																			624	780	780	780	62
Lead grade	%Pb	**3.70**																			3.70	3.70	3.70	3.70	3.70
Zinc grade	%Zn	**1.44**																			1.44	1.44	1.44	1.44	1.44
Silver grade	g/t Ag	**18.3**																			18.3	18.3	18.3	18.3	18.3
Total LoMp Production	**kt**	**16,041**	**391**	**379**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**62**
Lead grade	**%Pb**	**3.73**	**4.01**	**3.97**	**4.03**	**3.97**	**4.03**	**3.91**	**3.98**	**3.92**	**3.99**	**3.81**	**3.95**	**3.92**	**3.65**	**3.35**	**3.54**	**3.37**	**3.19**	**3.12**	**3.59**	**3.70**	**3.70**	**3.70**	**3.70**
Zinc grade	**%Zn**	**2.64**	**3.20**	**3.26**	**3.24**	**3.24**	**3.18**	**3.13**	**3.27**	**3.16**	**3.14**	**3.07**	**3.23**	**3.21**	**2.91**	**2.60**	**2.60**	**2.45**	**2.23**	**2.06**	**1.56**	**1.44**	**1.44**	**1.44**	**1.44**
Silver grade	**g/t Ag**	**18.0**	**19.8**	**19.8**	**18.6**	**18.8**	**19.0**	**18.6**	**18.8**	**18.6**	**18.8**	**18.2**	**18.7**	**18.6**	**17.6**	**16.5**	**17.3**	**16.7**	**16.3**	**16.1**	**17.8**	**18.3**	**18.3**	**18.3**	**18.3**
Development																									
Capital Ramps & Lateral	m	**30,265**	955	955	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,200	900	1,200	900	900	900	800	800
Vertical	m	**3,065**	80	125	180	180	180	180	180	180	180	180	180	180	180	180	180	150	50	150	50	50	50	50	50
Rehabilitation	m	**5,160**	120	120	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240
Production Drives (Ore + Waste)	m	**114,104**	1,634	2,200	5,801	5,634	5,944	5,752	5,783	5,242	5,584	5,608	5,795	5,242	5,242	5,242	5,641	5,544	5,598	5,544	5,598	5,598	5,598	2,956	2,956
Total	**m**	**152,594**	**2,789**	**3,400**	**7,891**	**7,724**	**8,034**	**7,842**	**7,873**	**7,332**	**7,674**	**7,698**	**7,885**	**7,332**	**7,332**	**7,332**	**7,731**	**7,134**	**6,788**	**7,134**	**6,788**	**6,788**	**6,788**	**4,046**	**4,046**
Development Waste	kt	**1,395**	39	45	75	75	76	75	75	74	75	75	75	74	74	74	75	58	46	58	46	46	46	38	38

5.14 SRK Observations

Since reopening in 2006, the SASA Mine has used a similar mining method approach as that proposed for the LoMp going forward and the planned production rate of 780 ktpa (dry) is conservative, given that the mine production has averaged 797 ktpa over the last 8 years, with a peak of 860 ktpa in 2009. SRK notes that in the last 8 years the mine achieved less than 780 ktpa in two of those years (759 kt in 2009 and 753 kt in 2010); however, this is not considered a material difference (less than 3%). The mine benefits significantly from having access development to upper and lower levels of the planned stoping areas as well as established materials handling systems. This existing development also allows for easy management of water ingress into the mine, although water ingresses were not observed to be significant during the March 2017 site visit.

The sub-level cave mining method has been utilised for many years at the SASA Mine and, given the low level spacing (7 m), there are reasonable opportunities to achieve the mining dilution and loss parameters used in the mine plan. Grade control is an important area to manage at the mine and there needs to be sufficient and good control of infill drilling and draw point sampling. The sub-level caving method is one of the few underground mining methods that can be applied to this type of shallow dipping, stacked, variable thickness lead-zinc-silver lens system.

The cut and fill method (which was historically used on the Golema Reka deposit) could be re-assessed in selected future mining areas to determine whether this is a more suitable method for the mine from a dilution, recovery, safety, production rate, and economic perspective.

SRK recognises that the LoMp includes material from the Inferred category of Mineral Resources, both in the lower levels of the Svinja Reka deposit and also the Golema Reka deposit, and that achievement of the LoMp is based on the conversion of Inferred Resources to Indicated or Measured Resources. At Svinja Reka, given the continuation of the sub-level caving method and the similar development profile, there do not appear to be any technical impediments to mining this material, assuming that additional drilling and sampling and geological analysis improves the Resource category to at least Indicated.

At the Golema Reka deposit, a cut and fill method will be adopted. This historically used method is geotechnically acceptable and the existing backfill plant can be recommissioned. In addition, the cost of backfill has been considered in the operating costs and subsequent NSR cut-off estimate for Golema Reka, therefore exploitation of the final years of the LoMp at Golema Reka are considered to be technically feasible, again assuming that the Inferred Resources in this deposit are converted to either Indicated or Measured category through additional geological investigations and analysis.

SRK considers it likely that the additional Inferred portions of the Svinja Reka and Golema Reka deposits will be converted to Indicated during the LoM operations and that the full LoMp will be delivered, on the understanding that the appropriate technical investigations and studies are undertaken in advance of proposed mining of these areas.

6 MINERAL PROCESSING

6.1 Introduction

The SASA Mine flotation plant, incorporating a large equipment package from Metso, was commissioned in 2006 and originally designed to process 650 ktpa of ore. The plant was upgraded in 2007 with the addition of additional Metso flotation cells to a nameplate capacity of 850 ktpa ore. The plant operated at the nameplate capacity from 2008 to May 2009 and has since operated at a lower throughput (750 to 780 ktpa from 2010 to 2016) due to mining from the Svinja Reka orebody only.

6.2 Process Mineralogy

The main minerals present are sphalerite, galena, pyrite and pyrrhotite and the mineralisation varies from coarse to fine grained depending on the ore source. Silver is present and is generally associated with the galena.

6.3 Process Plant Parameters

The nameplate capacity of the plant is 850 ktpa ore. The nominal capacity of the crushing circuit is 150 tph at a design utilisation of 67%. The nominal capacity of the concentrator is 109 tph at a design utilisation of 92%. Historically, the concentrator has achieved utilisations of between 94 and 96%.

6.4 Process Description

The process plant comprises a two-stage crushing circuit and a conventional lead-zinc concentrator utilising selective flotation. Separate lead and zinc concentrates are produced and dewatered by thickening and filtration for shipment by truck. The major equipment is summarised in Table 6-1.

6.4.1 Crushing Circuit

The crushing circuit operates 24 hours per day, 7 days per week on a three-shift basis.

The two-stage crushing circuit was installed in 2006 using new Metso crushers and screens and incorporates refurbished feeders and conveyors from the original, Russian designed plant. The crushing circuit can be fed from either of the two underground sources by separate conveyors. A flap gate directs feed from either source to the crusher.

RoM ore, nominally -350 mm, is fed from the RoM bunker on to the primary crushing feed conveyor from where it is fed via a vibrating screen to a Nordberg C106 jaw crusher. The screen undersize and the jaw crusher product (nominally -100 mm) are conveyed to the secondary crushing circuit. Tramp iron is removed from the secondary crusher feed by an overband magnet with secondary protection from a metal detector. The latter trips the conveyor if metal is detected. Secondary crushing comprises a Nordberg GP200 cone crusher operating in closed circuit with a screen. Feed from the primary crusher is screened to remove final product, nominally -16 mm, and the oversize gravitates to the cone crusher. The cone crusher product is recirculated by conveyor to the screen. The crushing circuit product, screen undersize, is conveyed to the mill feed bins. A bifurcated chute with a manual diverter flap routes product to either the 1,750 t bin (stream 1) or the 4 x 500 t bins (stream 2). A tripper conveyor is used to distribute material to the 4 x 500 t bins.

The crushing plant is started/stopped and monitored from a local control room adjacent to the primary crusher. All conveyors are fixed speed and are fitted with safety wires for emergency stops. All conveyors have belt tracking switches. Level trip switches are not incorporated in chutes.

6.4.2 Crushing Circuit Capacity

The nominal crushing plant throughput is 150 tph. Based on a three-shift, 24 hours per day operation, with 12 days planned maintenance per year, the crushing plant would be required to operate for 16 hours per day or a utilisation of 67% to achieve the 850,000 tpa design throughput. Based on an 80% utilisation the crushing circuit should have the capacity to achieve 1 Mtpa if it were required.

Table 6-1: Crushing Plant and Concentrator Plant Equipment Details

Item	No.	Manufacturer	Model	Dimensions	Installed Drive
Crushing					
Primary crusher (jaw)	1	Metso	Nordberg C106	feed opening 1060x700 mm	110 kW
Secondary crusher (cone)	1	Metso	GP 200	feed opening 222 mm	132 kW
Grinding & Classification					
Rod mill (wet grinding) #1	1	Uralmash	MSTS-2700x3600	2700 mm diameter x 3600 mm long	380 kW
Spiral classifier	1			2 spirals, 1200 mm dia x 8119 mm long (dredging 8520 x 3000 mm)	15 kW
Rod mill (wet grinding) #2	1	Uralmash	MSTS-2700x3600	2700 mm diameter x 3600 mm long	380 kW
Spiral classifier	1			2 spirals, 1500 mm dia x 9700 mm long (dredging 10100 x 3600 mm)	15 kW
Ball Mill (trunnion-type) #1	1	Uralmash	MSHTS-2700x3600	2700x3600 mm	380 kW
Cyclone	1	Krebs		D=500, vortex 200, spigot 55-60	
Ball Mill (trunnion-type) #2	1	Uralmash	MSHTS-2700x3600	2700x3600 mm	380 kW
Cyclone	1 + 1	Lemind (Serbia)		D=350, vortex 150 mm, spigot 60 mm	
Regrind mill	1	SALA (Metso)		1800 mm diameter x 2400 mm long	110kW
Cyclone		Lemind (Serbia)		D=350, vortex 150 mm, spigot 70-80 mm	
Flotation					
Pb conditioner	1	Metso		30 m^3	11 kW
Pb rougher cells	7	Metso	RCS20	20 m^3	37 kW
Pb scavenger cells	4	Metso	RCS20	20 m^3	37 kW
Pb cleaner cells 1	5	Metso	RCS5	5 m^3	15 kW
Pb cleaner cells 2	3	Metso	RCS5	5 m^3	15 kW
Pb cleaner cells 3	2	Metso	RCS5	5 m^3	15 kW
Zn conditioner	2	Metso		30 m^3	11 kW
Zn rougher cells	7	Metso	RCS20	20 m^3	37 kW
Zn scavenger cells	3	Metso	RCS20	20 m^3	37 kW
Zn cleaner cells 1	3	Metso	RCS10	10 m^3	22 kW
Zn cleaner cells 2	4	Metso	RCS5	5 m^3	15 kW
Zn cleaner cells 3	3	Metso	RCS5	5 m^3	15 kW
Concentrate dewatering					
Pb concentrate thickener	1			18 m diameter	
Zn concentrate thickener	2 (1 working)			12 m diameter	
Pb filter	1	Larox (Outotec)	PF 28 A1		
Zn filter	1	Metso	VPA 1040-28		

6.4.3 Concentrator

The current concentrator flowsheet for the SASA Mine is provided in Figure 6-1. The concentrator incorporates conventional grinding, classification, flotation and dewatering technology to produce separate lead and zinc concentrates. The final grind size is typically 60 to 65% -74 µm.

The concentrator incorporates the original feed bins and feeders, the original grinding mills and spiral classifiers, the original lead and zinc concentrate thickeners and the Larox lead concentrate filter.

The grinding circuit comprises two parallel lines. Line 1 includes a single 1,750 t capacity crushed ore feed bin, and line 2 includes four 500 t feed bins fed via a tripper conveyor. Each grinding line operates independently and incorporates an open circuit rod mill, a twin spiral classifier and a ball mill operating in closed circuit with hydrocyclone classifiers. The -16 mm crushed ore from the crushed ore feed bins is fed to the rod mill via variable speed feeders and a mill feed conveyor. The feed tonnage is measured by a two-idler weightometer on the rod mill feed conveyor. Rod mill discharge, typically 30 to 31% -75 µm, gravitates to the spiral classifier sump and fines are removed via the overflow weir. Coarse sands are fed via the classifier screw to the ball mill feed. The ball mill discharge gravitates to a sump from where it is pumped to the hydrocyclone cluster. Cycloned underflow is recirculated to the ball mill feed. Spiral classifier overflow and hydrocyclone overflow are directed to a sump from where they are pumped via a variable speed pump to the lead flotation conditioner.

Water addition to the grinding circuit is automatically controlled. The circuit feed is sampled on each of the rod mill discharge launder by automatic samplers.

Lead conditioning is achieved in a single agitated conditioning tank. The lead flotation circuit comprises lead rougher and scavenger flotation and three stages of lead concentrate cleaning.

The final lead concentrate is sampled by an automatic vezin sampler prior to thickening and dewatered in an automated Larox filter. The final moisture content of the lead concentrate is typically 5 to 6% w/w. Lead concentrate thickener overflow is recirculated to the lead flotation circuit.

Tailings from the lead scavengers are pumped to the first of two zinc conditioning tanks. pH is adjusted in the first tank and reagents are added to the second tank.

The zinc flotation circuit comprises zinc rougher and scavenger flotation and three stages of zinc concentrate cleaning. Zinc rougher concentrate from the first four cells is pumped with the first zinc cleaner concentrate to the second stage zinc cleaner feed. Stage 2 zinc rougher concentrate from cells 5 to 7 is pumped to a small regrind mill which operates in closed circuit with hydrocyclones and the reground solids are pumped to the first zinc cleaner feed. The rougher scavenger concentrate together with the first zinc cleaner tailings are recirculated to the first zinc rougher conditioner.

The final zinc concentrate is sampled by an automatic vezin sampler prior to thickening in one of two thickeners and the thickened concentrate slurry is dewatered in an automated Metso VPA filter. The final moisture content of the zinc concentrate is typically 8 to 9% w/w. Zinc concentrate thickener overflow is recirculated to the circuit. Final zinc flotation tailings are sampled by automatic sampler and pumped to one of two tailings lines for disposal.

The number of lead and zinc flotation cells and nominal residence times are provided in Table 6-2 and Table 6-3, respectively.

Lead and zinc concentrates are stored in separate areas and loaded into trucks by front end loader. Each truck load is sampled before shipping. The trucks are weighed empty and loaded for accounting.

Table 6-2: Lead flotation cell parameters

Section	Residence Time (minutes)	Cells & Configuration
Lead Roughing	15	7 off (4 + 3) each 20 m^3
Lead Rougher Scavenger	15	4 off (3 + 1) each 20 m^3
Lead Cleaner 1	20	5 off (4 + 1) each 5 m^3
Lead Cleaner 2	20	3 off (1 + 2) each 5 m^3
Lead Cleaner 3	20	2 off each 5 m^3

Table 6-3: Zinc flotation cell parameters

Section	Residence Time (minutes)	Cells & Configuration
Zinc Roughing	15	7 off (4 + 3) each 20 m^3
Zinc Rougher Scavenger	15	3 off each 20 m^3
Zinc Cleaner 1	20	3 off each 10 m^3
Zinc Cleaner 2	20	4 each 5 m^3
Zinc Cleaner 3	20	3 off (2 + 1) each 5 m^3

6.4.4 Process Control

The plant is controlled from the main plant control room. The plant incorporates sufficient instrumentation for circuit control. All measurements are displayed/recorded/trended in the control room.

6.4.5 Metallurgical Control

Plant feed, tailings and lead and zinc concentrates are sampled by automatic samplers on a shift basis.

Additional grab samples are taken from multiple points around the circuit and submitted to the laboratory for analysis. These samples are taken 24/7, every 40 minutes and results are available within 40 minutes. These sample analyses are used for metallurgical control.

6.4.6 Reagents

Lime is used for pH control. Sodium cyanide is used as a zinc depressant in the lead circuit and an overall pyrite depressant. Potassium ethyl xanthate and SKIK, a lead specific collector, are used as the lead collector; potassium amyl xanthate is used as the zinc collector. Zinc sulphate is used as the zinc depressant in the lead circuit and copper sulphate as the zinc activator in the zinc circuit. Dowfroth 200 is used as the frother throughout. No flocculants are used in the concentrate dewatering circuits.

Reagents are stored and mixed in a reagent building annexed to the concentrator. Each reagent system comprises a mix tank, a storage tank and a recirculating pump and head tank for distribution. The reagent mixing tanks are ventilated.

Sodium cyanide is stored, mixed and held as a solution in a separate locked area adjacent to the main reagent mixing area.

Lime for pH control is received as bulk hydrated lime powder and is stored in silo and mixed to a slurry in an agitated mixing tank.

Any spillage in the reagent area is flushed with water in to a concrete channel and directed via a pipe in to the spare tailings line which gravitates to the tailings dam.

6.4.7 Concentrator Circuit Capacity

The name plate capacity of the concentrator is 850 ktpa and the design hourly feed rate from the Metso mass balance is 109 tph at lead and zinc feed grades of 4.45% Pb and 4.68% Zn, respectively. Since 2010, the actual plant throughput and lead and zinc grades have been below the nameplate figures and the forecast throughput and zinc and lead feed grades going forward are significantly below these figures, although circuit capacity in terms of grinding and the lead and zinc flotation circuits is not expected to be an issue.

6.4.8 Zinc Regrind Circuit Addition

Some problems have been encountered with intermittent high circulating loads within the zinc circuit when treating finer grained ore. Poorly liberated zinc minerals have been identified as the cause. In order to alleviate this issue a new zinc regrind mill, a Metso stirred mill detritor ("SMD"), will be incorporated in to the circuit treating second zinc cleaner tailings. This will replace the existing conventional regrind ball mill. An evaluation of the existing circuit by Metso and a review of the testwork performed has indicated that the finer regrind size will improve overall zinc recovery to zinc concentrate by at least 2%.

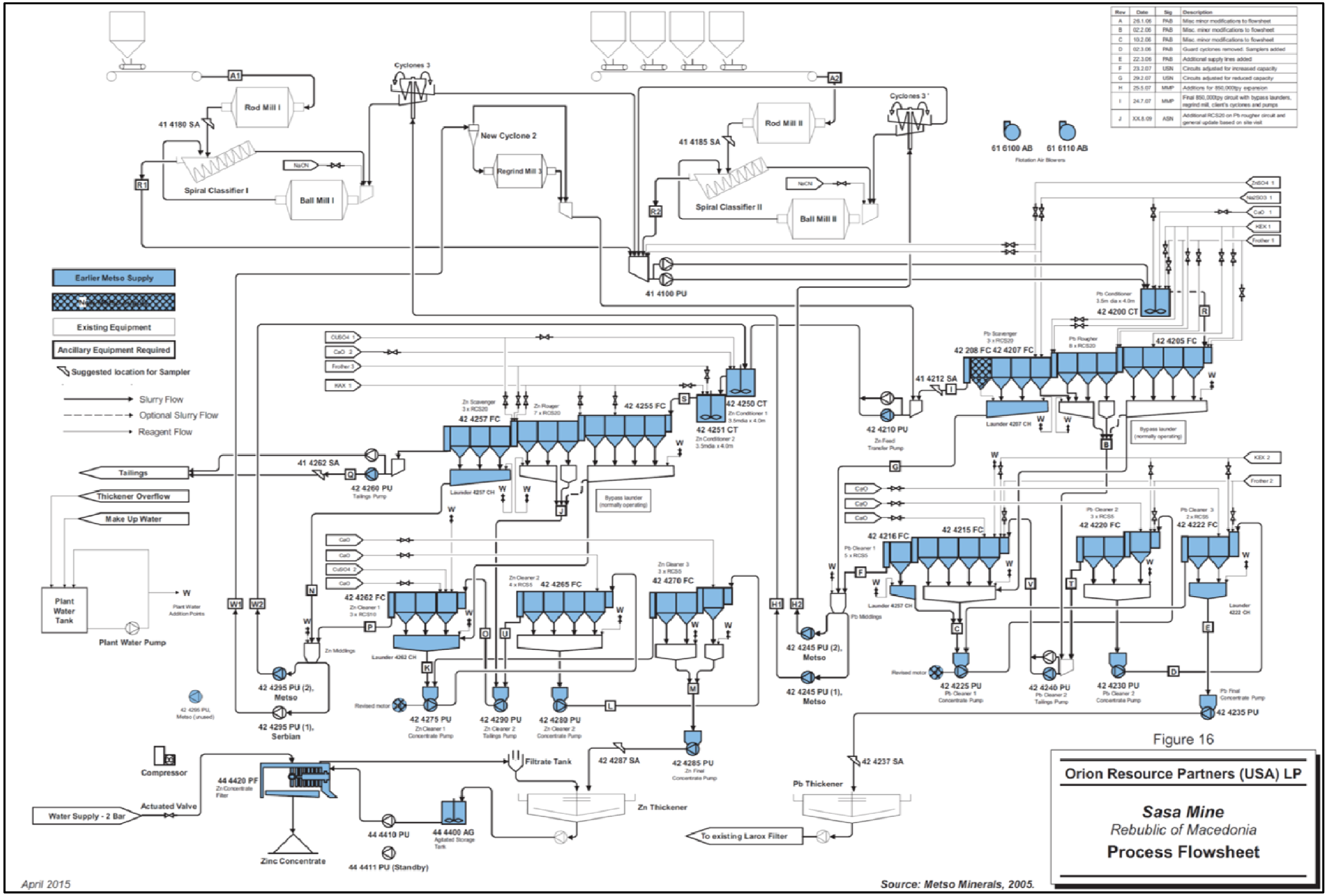


Figure 6-1: Concentrator flowsheet for SASA Mine

6.5 Plant Performance

6.5.1 Historical performance

The historical flotation plant performance is provided in Table 6-4 and shows that the plant operated above its nameplate capacity of 850 ktpa in 2008 and 2009. Thereafter, the plant feed tonnage has been reduced to between 750 and 780 ktpa to match the mine output.

Based on the available data, the following observations can be made:

- The process plant is conventional and the metallurgy for both lead and zinc, based on historical performance, is relatively straightforward and should not be an issue.
- In general, the lead circuit has consistently achieved above design performance in terms of lead concentrate recovery and grade, averaging 94.4% recovery at 73.9% Pb grade.
- The zinc circuit has not been operated at design zinc metal load or concentrate loads and the design zinc recovery of 90% has not been achieved. Since 2010, the recovery of zinc to zinc concentrate has averaged 86.0%, ranging from 84.6% to 86.6%. During this time, the concentrate grade has been very stable, averaging 50.1% Zn, ranging from 49.4% to 50.5% Zn.
- There are no issues with zinc in lead concentrate and lead in zinc concentrate. Historically, the percent zinc in lead concentrate varies between 2.44 to 2.95% Zn and the percent lead in zinc concentrate varies between 1.05 to 1.63% Pb.
- The historical silver in feed and in the lead and zinc concentrates is shown in Table 6-5. The average silver recovery to the lead concentrate for 2014 to H1 2017 was approximately 82% at an average grade of 341 g/t. While the average grade of silver in the zinc concentrate was approximately 39 g/t, representing approximately 10.7% recovery, it is not payable.
- Fine zinc mineralisation is reported to increase the circulating loads in the zinc cleaner circuit and results in some spillage. Whilst this has not directly affected the circuit throughput the introduction of the new SMD regrind mill should alleviate this issue.

Table 6-4: Historical Plant Operating Statistics (2008 to H1 2017)

	Units	*Met Balance*	2008	2009	2010	2011	2012	2013	2014	2015	2016	H1 2017
Plant Feed												
Feed tonnes	(dmt)	*850,000*	854,319	864,592	811,383	758,252	754,153	774,007	780,285	777,121	779,231	392,257
Ore moisture	(%)	-	3.34	3.36	3.39	3.66	3.98	3.71	3.56	3.26	3.00	2.80
Pb - mill head grade	(%)	*4.45*	4.68	4.43	4.05	3.83	3.93	4.13	4.16	4.04	3.95	4.01
Zn - mill head grade	(%)	*4.68*	4.08	4.14	3.81	3.43	3.35	3.47	3.48	3.52	3.41	3.20
Tonnes Pb in feed	(t Pb)	*37,825*	39,983	38,276	32,878	29,036	29,658	31,982	32,475	31,375	30,761	15,724
Tonnes Zn in feed	(t Zn)	*39,780*	34,896	35,820	30,905	26,009	25,280	26,858	27,192	27,370	26,599	12,550
Lead Concentrate												
Pb concentrate - Production	(dmt)	*45,087*	49,146	47,634	41,298	37,148	38,025	40,996	41,631	40,162	39,507	20,301
Pb recovery to Pb conc	(%)	*89.4*	91.60	94.20	94.39	95.07	94.42	94.37	94.51	94.10	94.13	94.63
Zn recovery to Pb conc	(%)	*3.40*	4.15	3.81	3.77	3.79	3.65	3.95	3.96	4.20	4.02	4.14
Pb concentrate - Pb grade	(%)	*75.0*	74.53	75.70	75.15	74.31	73.64	73.62	73.73	73.51	73.29	73.29
Pb concentrate - Zn grade	(%)	*3.0*	2.94	2.86	2.82	2.66	2.43	2.59	2.59	2.86	2.70	2.56
Pb in Pb conc	(t)	*33,815*	36,627	36,058	31,034	27,604	28,003	30,181	30,693	29,524	28,955	14,879
Pb concentrate - Moisture	(%)	-	6.09	5.46	5.47	5.77	6.01	5.94	5.77	5.50	5.80	5.73
Zinc Concentrate												
Zn concentrate - Production	(dmt)	*72,400*	57,950	61,030	52,783	44,550	43,140	46,228	46,920	47,159	45,548	21,719
Pb recovery to Zn conc	(%)	*3.80*	1.99	2.04	1.82	1.61	1.57	1.53	1.92	2.47	1.97	1.53
Zn recovery to Zn conc	(%)	*90.00*	82.25	85.45	86.01	86.60	86.20	86.31	86.50	85.77	84.64	85.57
Zn concentrate - Pb grade	(%)	*2.0*	1.37	1.28	1.13	1.05	1.08	1.06	1.33	1.64	1.33	1.10
Zn concentrate - Zn grade	(%)	*49.45*	49.53	50.16	50.36	50.56	50.51	50.15	50.13	49.78	49.43	49.45
Zn in Zn conc	(t)	*35,802*	28,706	30,610	26,583	22,524	21,789	23,182	23,522	23,476	22,515	10,739
Zn concentrate - Moisture	(%)	-	9.24	8.77	8.89	8.69	8.74	8.51	8.37	8.51	8.43	8.32
Tailings												
Grade - lead	(%)	*0.35*	0.34	0.19	0.17	0.13	0.16	0.18	0.16	0.14	0.16	0.17
Grade – zinc	(%)	*0.36*	0.63	0.51	0.42	0.33	0.34	0.35	0.35	0.37	0.40	0.37

Table 6-5: Silver recovery to lead and zinc concentrates

Year	Silver Recovery				
	Feed (g/t)	Ag grade in Pb conc (g/t)	Ag rec to Pb conc (%)	Ag grade in Zn conc (g/t)	Ag rec to Zn conc (%)
2014	21.34	351.9	93.3	40.3	12.4
2015	23.74	339.2	78.1	41.1	11.5
2016	23.29	342.8	74.6	39.1	9.8
H1 2017	21.02	332.0	81.7	35.0	9.2

6.5.2 Forecast

Lynx Resources expects throughput to be 780 ktpa in 2017 (budgeting 770 ktpa to be conservative) and maintained at 780 ktpa until end-2037. These figures are below nameplate capacity and are considered to be achievable by SRK.

The forecast lead and zinc feed grades, from 3.12% to 4.03% Pb and from 2.06% to 3.27% Zn, are below the nominal design figures and are within the historical grades processed previously such that the lead and zinc loads within the flotation circuit are acceptable and should not be an issue.

The lead recovery to lead concentrate of 94.0% and the predicted lead concentrate grade of 73.0% Pb is in line with historical performance and is considered achievable. Although the zinc content of the lead concentrate is not given, the historical performance would suggest that this will not be an issue and should be less than 3% Zn.

A silver recovery to lead concentrate of 80% is used in the assessment. This is in line with recent historical performance. The calculated silver content of the lead concentrate is 287 to 320 g/t Ag and payable as part of the NSR. The silver grade in lead concentrate is below that historically achieved and is dependent on the tonnage of lead concentrate produced.

The zinc concentrate grade has been set at 49.3% in the model. SRK considers this to be conservative as it is lower than historical performance. A lower zinc grade in concentrate is likely to be beneficial for zinc recovery to zinc concentrate, as would be expected with a typical grade-recovery relationship. The zinc recovery included in the model assumes the installation of the new zinc regrind circuit during 2017 and includes an increased zinc recovery to zinc concentrate of 2% from 85.5% up to 87.5%, supported by the analysis of metallurgical consultant Peter Munro (Mineralis Consulting Pty Ltd, February 2017) and including lock-cycle testwork by Base Metallurgical Laboratories Ltd. in Canada. Based on the predicted head grade and typical losses of zinc to the lead concentrate this zinc recovery would result in a final concentrator tailings of 0.3% Zn. This is lower than historically achieved, average 0.4% Zn since 2010, but reflects the tailings that would have been achieved if an additional recovery of 2% had been achieved. SRK considers that the higher recovery is reasonable, based on the testwork performed. The zinc feed grade is predicted to fall from 2028 and SRK recommends a reduction in zinc recovery based on a fixed tail calculation from this year to the end of the LoMp.

Historical performance would suggest that the lead grade in the zinc concentrate will not be an issue and should be less than 2% Pb.

A silver recovery to zinc concentrate of 10% is included. Historically this has been around 11%. The silver content of the zinc concentrate is typically around 40 g/t Ag and is not payable.

Historically, ore from Golema Reka has been processed and the metallurgy is known. As with any mine, if new ore zones are to be mined and processed, metallurgical testwork should be performed to establish circuit operating parameters and to ascertain specific metallurgical performance.

6.6 Plant Operating Costs

The operating costs included in the model for the process plant are based on actuals and are split into fixed and variable costs for electricity, reagents and consumables, labour, maintenance materials, and miscellaneous costs, and are considered reasonable. The split of operating costs used in the LoMp is given in Table 6-6. At a steady state plant feed of 780 ktpa, this results in an overall processing unit cost of EUR9.06/t (USD9.88/t).

Table 6-6: Process Operating costs

Cost Centre	Fixed (EUR)	Variable (EUR/t)
Electricity	-	1.95
Reagents and consumables	-	1.91
Labour	828,800	0.46
Maintenance materials	1,050,700	1.89
Other	333,900	0.01
TOTAL	**2,213,400**	**6.22**

6.7 Capital Costs

The new zinc SMD mill package has been included in the 2017 budget, with SMD mill capital of EUR597k out of the total 2017 plant budget of EUR1.4m (with EUR0.5m spent during H1 2017). It is estimated the SMD mill will be commissioned in Q4 2017.

From 2018 onwards, only sustaining capital has been provided for. This totals EUR12.9m over the remaining life of the mine for the processing plant alone, of which EUR150,000 per year from 2019 onwards has been allocated as a contingency, and which equates to an average of approximately 20% of the total sustaining capital over the LoMp. SRK considers the capital expenditure provided in the model to be appropriate.

6.8 SRK Observations

The process plant is conventional and the metallurgy for both lead and zinc, based on historical performance, is straightforward and well understood.

SRK understands that the mineralogy of the currently defined Mineral Resources does not vary materially. Historically, ore from Golema Reka has been processed and the metallurgy is known. As with any mine, if new ore zones are to be mined and processed, metallurgical testwork should be performed to establish circuit operating parameters and to ascertain specific metallurgical performance.

The forecast plant throughput of 780 ktpa is conservative and is not a limiting factor in terms of mine output. The plant has proved that it can process up to 850 ktpa. SRK notes that the mine has historically produced in excess of 850 ktpa, and could potentially do so again, without the need for significant investment.

The lead metallurgy recovery of 94% is close to the historical performance of the plant and considered by SRK to be above the average typically achieved by similar operations. The new zinc regrind mill should alleviate the issues with some overloading of the pumping systems in the zinc cleaner circuit and should increase the overall zinc recovery to the projected 87.5%.

7 TAILINGS STORAGE FACILITIES REVIEW

7.1 Introduction

This chapter addresses tailings management at SASA Mine. The information presented in this chapter is based on:

1. Observations and information gained during a site inspection by an SRK tailings engineer between 29 March and 01 April 2016.
2. Follow-up observations made during the March 2017 site inspection, including brief discussions with the TSF-4 contractor, Strabag AG ("Strabag").
3. Desktop review of documentation associated with tailings management and construction as provided by SASA Mine (some in Macedonian language).
4. Discussions with Golder Associates, who reviewed the SASA tailings dams, designs and associated infrastructure in July 2016.
5. Discussions held with Lynx Resources.

For the purposes of this CPR, this review focuses primarily on the requirements of the JORC Code (2012) with respect to reporting of Ore Reserves, providing the current status on the following critical aspects in relation to the tailings storage facilities ("TSF"):

- Suitability of as-built and proposed tailings engineering designs in the context of the site setting and methods of operation.
- Storage capacity for the LoMp to Q1 2038, which includes Inferred Resources after 2028, with particular focus on the requirement to support the statement of Ore Reserves, which is supported by mining of Probable Reserves from conversion of only Indicated Resources up to Q1 2032 (see Section 5.13.4).
- The status and sufficiency of studies undertaken in support of the adopted designs including those that consider slope stability and water balance.
- The monitoring provisions and monitoring data.
- Identification of potential issues of materiality in relation to the above listed items.
- Summary of recommendations on how these material issues can be addressed.

Note that this chapter focuses on tailings engineering, stability and security. Matters relating to: 1) environmental, social and permitting aspects, and 2) water management, including those associated with the TSF, are discussed within Sections 0 and 8, respectively.

7.2 Summary of TSF Location and Engineering

7.2.1 Tectonic Setting and Regional Seismicity

The territory of Macedonia, situated in the Mediterranean seismic belt, is quoted as an area of high seismicity. The seismicity of Macedonia is related to destructive tectonic processes associated primarily with vertical movement of tectonic blocks. Two regions of specific neotectonic features are well distinguished:

1. West Macedonia, characterised by longitudinal (NE-SE) structures, and
2. Central and East Macedonia with transverse (E-W) stretching of principal tectonic morphostructures.

Earthquakes of magnitudes between 6.0 to 7.8 on the Richter Scale have been experienced throughout the country. The strongest ‘recent’ earthquakes occurred in Pehcevo-Kresna (1904; Magnitude =7.8) and Valandovo-Dojran (1931; Magnitude = 6.7).

The regional site location (Figure 7-1) is therefore considered of ‘moderate to high’ seismic risk on a global and qualitative basis and therefore it is expected that TSF designs should be appropriate to accommodate credible seismic loads.

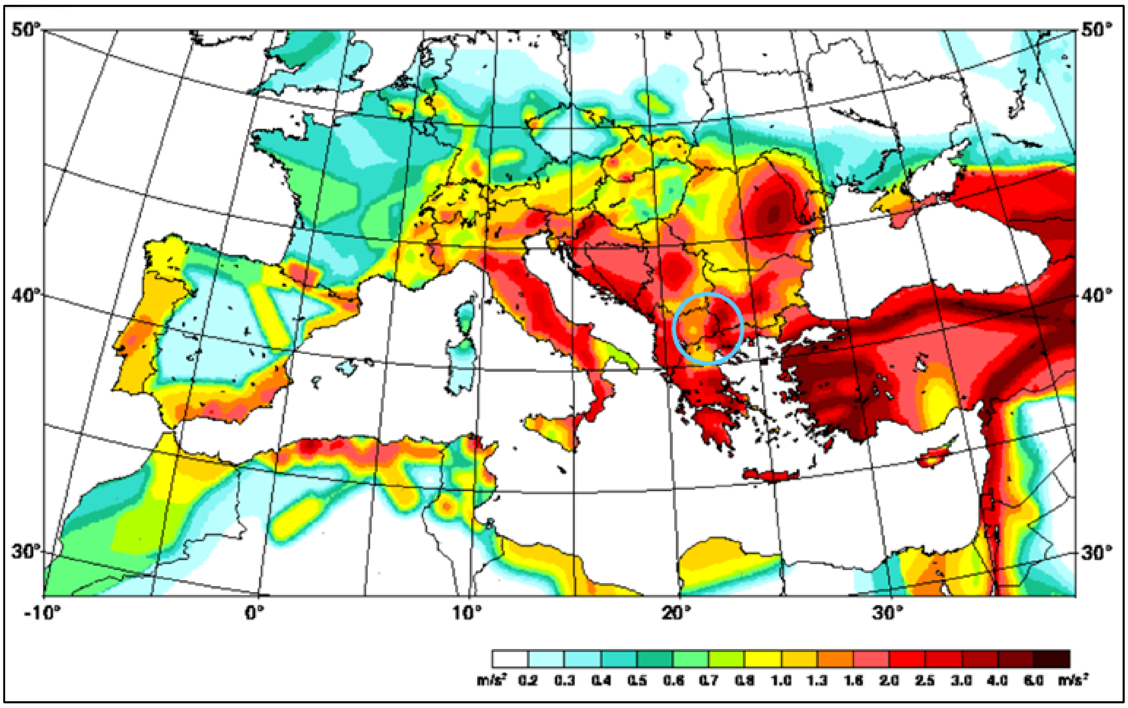


Figure 7-1: Global Seismic Hazard Assessment Programme map of regional seismic hazard for Europe, Africa and the Middle East (site location annotated for clarity)

7.2.2 TSF Development Summary

A brief summary of TSF development at SASA Mine is provided below:

- Figure 2-3 shows the layout of the TSFs relative to the mine, the waste rock dumps, and the licence boundary.
- The TSF complex has been operational since the 1960s, with the successive development of TSF 1, TSF 2, TSF 3.1 and TSF 3.2. TSF 1, TSF 2 and TSF 3.1 are inactive and have been rehabilitated with soil cover and vegetation.
- TSF 3.2 is currently active (discussed in Section 7.2.4).

- TSF 4 will be located directly adjacent to and to the south of TSF 3.2. TSF 4 is scheduled for commissioning in October 2018 and is discussed further in Section 7.2.5.
- The TSFs are located in a steep side slope inclination narrow linear valley that strikes NW-SE and which is located to the south-east of the mine, processing plant, and site offices. The main site access road runs along the north-eastern side of the facility.
- The valley base has a significant surface water course (the Kamenica River) which is carried below the TSF within an engineered river diversion structure. In 2003, failure of an ancillary structure that diverted captured TSF 3.1 drainage water into the river diversion tunnel resulted in flow of tailings from TSF 3.1 into the water-course and on into the downstream environment. The ancillary structure and the affected downstream environment were subsequently remediated (discussed further in Section 7.2.3).
- The TSF operations are permitted under the requirements of the Integrated Pollution Prevention and Control ("IPPC") directive. This permit is for the whole mine site including tailings and was issued on 24 February 2014 by the Macedonian 'Ministry of Environment and Physical Planning'. Key requirements of the permit in relation to tailings are: requirement for monitoring of wastewater and collector drainage; requirement for monitoring and control of dust; preparation of a waste management plan (operational management document); periodic environmental monitoring (with report issued every three months); and, periodic site development report describing all activities at the site including those associated with the TSF (yearly).
- As part of the Environmental Impact Assessment ("EIA") permitting approval for the TSF 4 dam, a "Report on the Adequacy of the EIA Study" was issued by the Macedonian Ministry of Environment and Physical Planning ("MEPP") on 6 March 2017, recommending to the Minister of Environment to approve the EIA, subject to the installation of a liner for the dam. SRK notes that the original design from the Faculty of Civil Engineering Skopje did not include a liner as this had not been used for the previous dams, and a review by Golder Associates of the technical design and groundwater quality had also confirmed the original design was in line with EU BREF Guidelines. Nonetheless, SASA intends to install a liner for the facility to address this request with the Ministry (see Section 7.2.5 below for details).
- Construction permits have been received for the diversion tunnel and the channel works and construction is in progress. The approval for the construction of the dam is in progress, including modifications to the design for the lining.

7.2.3 River Diversion Tunnel

The river diversion tunnel entrance portal is located at the northern end of TSF 1 (see Figure 2-4 for the location of the intake and Figure 8-2 in the Water Management Review, Section 8, for a view of the entrance portal) and the exit is located immediately downstream of the TSF 3.2 dam slope toe at the south-eastern end of the facility (see Figure 7-2).

The main features of the diversion tunnel are as follows:

- The tunnel was designed in the 1960s for the diversion of the Kamenica River with a typical diameter of 3.3 m and an approximate length of 2 km.
- It has been extended progressively in advance of tailings deposition development and comprises a concrete structure for about 40% of its length constructed under the tailings

(culvert section) and 60% constructed in the in situ rock (tunnel section). A new section of tunnel has been constructed beyond the toe of TSF 3.2 to further divert the river around TSF 4 (see below).

- In addition to carrying the Kamenica River, the diversion tunnel also takes input from the active TSF 3.2 pond (via a concrete collector pipe) and from the valley side slope streams, via side valley decants (concrete). The engineering design basis of these structures was assessed by Golder Associates in July 2016 (Ref.10).

Figure 7-2: River diversion structure; view looking NW towards the river diversion exit (right) and tunnel connection portal (left) located at the downstream toe of the TSF 3.2 embankment dam slope (August 2017)

In 2003 there was a failure of an ancillary structure that diverted captured drainage water into the river diversion tunnel, resulting in the flow of tailings into the river diversion structure below TSF 3.1. The relevant details are summarised as follows:

- At the time of the failure, the mine was under state ownership and was not operational. SRK understands that a 'care and maintenance' programme was either not in place or not being appropriately implemented by the state.
- Golder Associates reviewed all of the available information and, from discussion, SRK understands that the cause of the failure was a defective 'cap' within the roof of an ancillary pipe carrying TSF 3.1 drainage water into the underlying river diversion tunnel (that is, not due to a failure of the river diversion tunnel).
- The defective 'cap' failure resulted in the uncontrolled inflow of tailings into the culvert section below the TSF resulting in release of contaminated tailings to the downstream environment and upstream blockage of the Kamenica River watercourse.
- The physical effects of the failure were successfully remediated; the downstream environment was cleared, the culvert was cleared, the drainage collection infrastructure was remediated by sealing off the control shaft with concrete, and the flow of drainage water re-established. However, there remains evidence of some geochemical impacts on

the downstream environment in consequence of the release.

- Subsequently, a programme of regular visual inspection and maintenance of the diversion tunnel and associated infrastructure has been followed and there have been no further issues since mine re-commissioning in 2006.

The river diversion tunnel is currently being extended as part of TSF 4 development, as follows:

- The new section of the diversion tunnel extends the TSF 3.2 tunnel diversion within the bedrock of the western side of the river valley to just beyond the planned position of the toe of the TSF dam (see Figure 7-3). Note that the works comprise an extension of the existing structure. The culvert section overlain directly by tailings will remain operational below TSF 3.1 and TSF 3.2.
- The design and specification was prepared by the Geotechnics Department at the University "Ss. Cyril and Methodius", Faculty of Civil Engineering, Skopje ("Faculty of Engineering, Skopje"), in March 2015. The design was reviewed by civil engineering consultants GEING Krebs und Kiefer International Ltd. ("GEING"), Skopje.
- The diversion tunnel is located generally between 40 and 60 m lateral distance from the toe of the western abutment rock slope in good quality rock, with occasional zones of poor quality rock associated with rock mass structures.
- SASA Mine has completed the excavation and primary support of the tunnel, which includes rock bolting, mesh, shotcrete and steel sets in areas of poorer ground.
- Contractor Strabag is installing the concrete lining of the tunnel, which is on schedule for completion in Q4 2017.
- The slope above the portal has been cutback and stabilised with support comprising mesh covering pinned with rock bolts, 50 mm shotcrete covering all the mesh and grout injection bolts immediately above the portal (Figure 7-3).
- SRK considers that the TSF 4 extension tunnel in its existing condition and the outlet portal area and have been constructed with appropriate support for a long-term structure. Once concrete lined, the tunnel is expected to be very secure.

In March 2017, SASA Mine commissioned the Faculty of Engineering, Skopje to undertake a Tunnel Integrity Assessment for the entire length of the diversion tunnel, to assess the current state of the tunnel, especially in its older sections and to comment on any potential requirements for additional support/remediation. The study will include visual inspections, in situ testing and sampling for laboratory material testing. Work is currently ongoing and results will be delivered in Q4 2017.

Figure 7-3: River diversion structure: new exit portal at the proposed downstream toe extent of the TSF 4 embankment dam slope (March 2017)

7.2.4 Active TSF 3.2

A brief summary of TSF 3.2 is provided below:

- The basic layout of TSF 3.2 is shown in Figure 7-4 and the main features are shown in Figure 7-5 to Figure 7-7.
- TSF 3.2 was commissioned in 2007 with capacity for storage until October 2018 assuming a tailings input rate of 770,000 tpa (dry tailings).
- After discharge from the flotation circuit tailings are routed to TSF 3.2 via an approximately 2 km long slurry pipeline.
- Progressive development of the dam comprises downstream raising using cyclones with coarse underflow to the dam shell and finer grain-size slimes to the impoundment void. There is no compaction provided to the downstream slope and some shallow surface erosion was observed as a consequence of rainfall runoff.
- Waste rock from Adit 830 (downstream of the TSF) is now transported via the mine access road and deposited at the downstream toe of TSF 3.2 (effectively forming a toe buttress).
- The downstream embankment shell is developed at an inclination of approximately 2.75H:1V above two granular blanket drains (which are 20 m wide and constructed of free-draining rockfill). Fogging cannons are used to control dust derived from the surface of the dry tailings.
- The tailings comprise approximately 30% sand and 70% fines. The reported dry density of placed sand in the embankment is approximately 1.8 t/m^3, whereas the slimes/fines density in the pond is approximately 1.1 t/m^3.
- A supernatant pond is located at the northern end of the impoundment, containing: the supernatant water from the tailings; mine water which flows in to the pond via gravity from the north; surface water from the surrounding upstream catchment area; and, (since

2015), approximately 30 L/s of water from Adit 830 which is delivered via a pumped system.

- Decantation is via: 1) a submersible pump located on a floating barge (with variable pumping rate returning water to the plant during the dry summer months); and 2) a concrete penstock that connects directly to the underlying river diversion culvert/tunnel (located in NW corner of the pond and referred to as the ‘concrete collector pipe’). Flow rates of these TSF discharges are not measured.
- Seepage water from TSF 3.1 and from the toe area of TSF 3.2 is captured in a sedimentation pond located at the toe of the downstream dam slope. Water discharged from these sedimentation ponds are wastewater discharge monitoring points under the IPPC permit.
- Surplus water in the TSF 3.1 overflows via an overflow concrete collector pipe, which is used to manage the water level in the pond. This is also a wastewater discharge monitoring point under the IPPC permit.
- An emergency spillway will be constructed when the dam reaches its design height at closure.

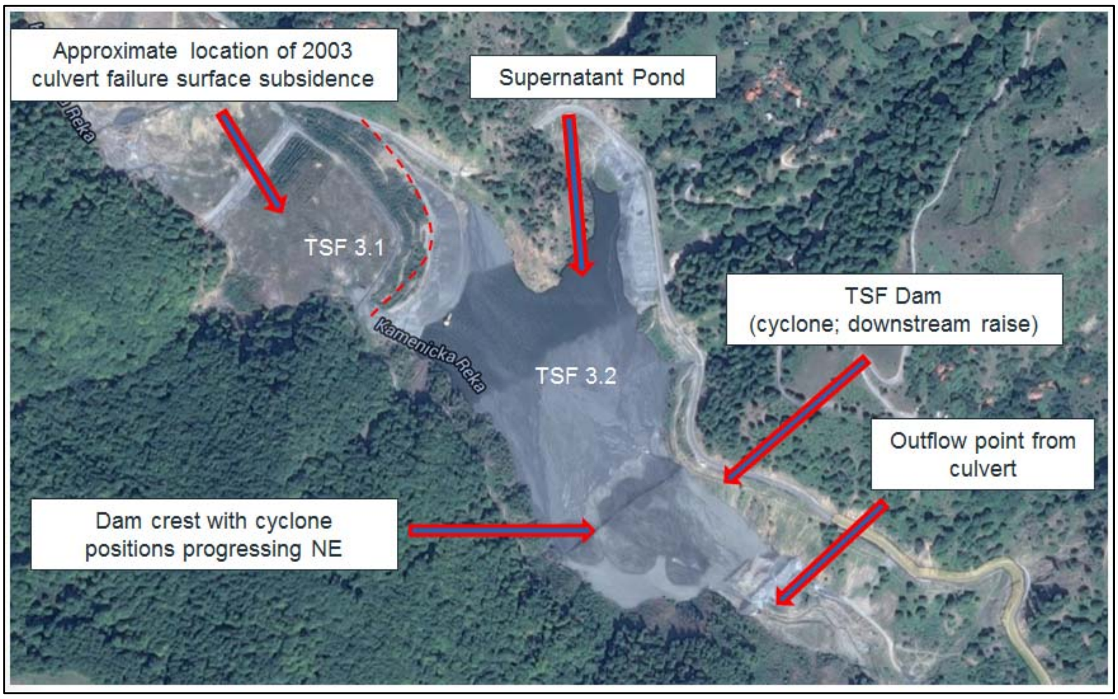


Figure 7-4: TSF 3.2 Annotated Layout in Plan View (Image from Google Earth)

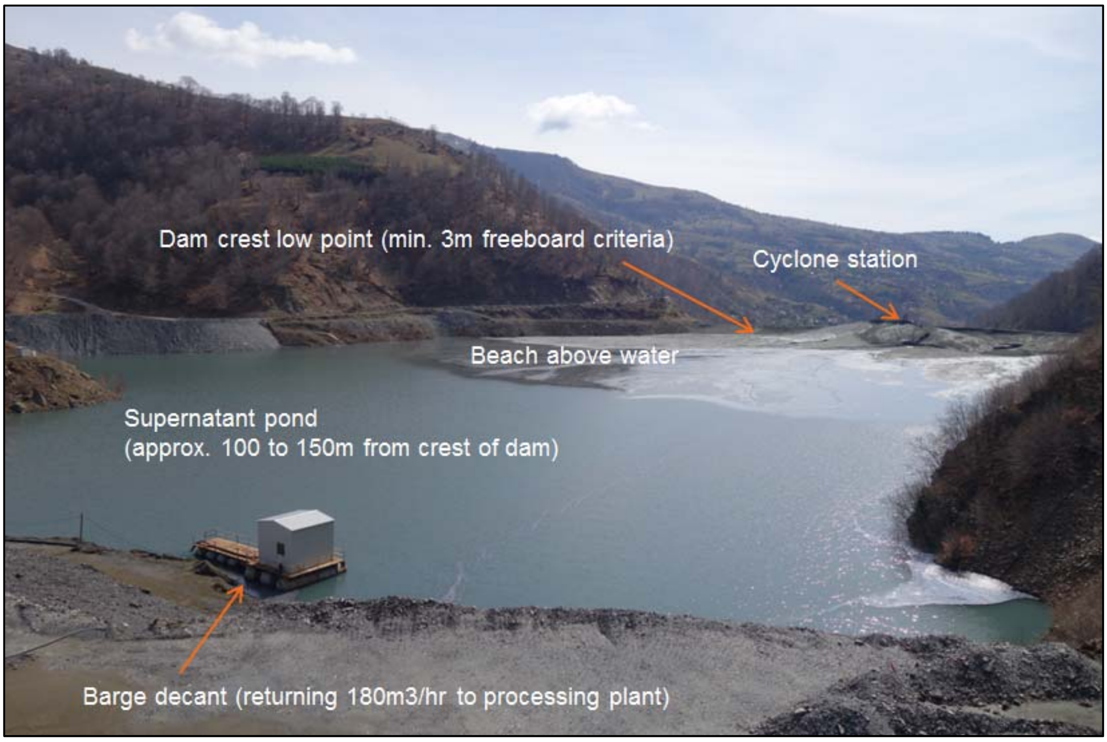


Figure 7-5: TSF 3.2: view looking SE over the surface of TSF 3.2 from TSF 3.1

Figure 7-6: TSF 3.2: view looking west from the main site access road towards the dam with waste rock buttress and exit of river diversion structure at the downstream slope toe (2016)

Figure 7-7: TSF 3.2: view looking west along the crest of TSF 3.2 dam (March 2017)

7.2.5 TSF 4

A brief summary of TSF 4 is provided below:

- TSF 4 is currently under construction and is designed to provide sufficient containment for requirements between October 2018 and 2026 (predicted lifetime at current processing rate).
- The design and specification was prepared by the Faculty of Engineering, Skopje, in March 2015. The design was reviewed by civil engineering consultants GEING in January 2016. This included the diversion tunnel as described in Section 7.2.3 above.
- Contractor Strabag will construct all the remaining elements of the TSF 4 works, including the concrete liner for the diversion tunnel extension, the starter dam at the toe of the embankment, and the diversion channel for the Petrova River, which enters the Kamenica valley on the eastern side just behind the crest of the TSF 3.2 dam.
- Development will directly abut TSF 3.2 to the south-east (see Figure 2-3).
- TSF 4 will be developed adopting similar waste delivery, placement and operational management methodologies to those that have been adopted for the currently active TSF 3.2.
- Progressive development of the dam will comprise downstream raising using cyclones; however, unlike TSF 3.2, the downstream slope will include a granular rock fill toe buttress that is progressively raised in line with tailings progression.
- As part of the EIA approval process, the MEPP recommended that the Minister for Environment approve the EIA, subject to SASA modifying the design to include a liner. SASA Mine management will install a liner to address this request.

- Construction of the entire facility is planned to be completed by May 2018. At current rates of deposition, SASA Mine expects TSF 3.2 to be full in October 2018.

7.2.6 Life of Mine Plan Requirements

The SASA Mine LoMp extends to Q1 2038, with a planned constant throughput of ore at a rate of 780 ktpa until end-2037. This results in a steady state production of tailings of around 175,000 m^3 per year tailings for dam construction and 230,000 m^3 per year fine tailings (plus sludge) for deposition in the impoundment (total 405,000 m^3 per annum). TSF 4 has capacity for 8 years of deposition, which means that additional TSFs will be required to provide storage for the entire LoMp. SASA Mine intends to construct two further TSFs downstream of TSF 4 to accommodate this additional material (TSF 5 and TSF 6). TSF 5 is planned to be constructed during 2025 and 2026 and is intended to be of a similar size to TSF 4 to provide an additional 8 years' storage. TSF 6 is planned to be constructed during 2033 and 2034 and is intended to be smaller than TSF 4 to provide an additional four years' storage up to 2038. Whilst detailed designs have not yet been prepared for either TSF 5 or TSF 6, SASA Mine has provided capital in the Financial Model in the relevant years. The capital quantum for TSF 5 (EUR7.5m, USD8.2m, which includes EUR2m allowance for the liner) is the same as that for TSF 4, and for TSF 6 the allowance is 50% of TSF 5 given the smaller storage requirement. There is also yearly sustaining capital of USD109k provided. Further preliminary and detailed design work for TSF 5 and TSF 6 will need to be completed, but these TSFs will require similar elements to TSF 4, including extension of the Kamenica River diversion tunnel through the bedrock of the western dam abutment and extension of the Petrova River surface diversion channel along the eastern side of the Kamenica River valley.

SRK notes, however, that to support the Ore Reserves, there is only a requirement for TSF 5.

Lynx Resources intends to commence pre-feasibility study level designs for TSF 5 immediately upon completion of TSF 4, to provide ample time for technical evaluations and permitting preparation.

7.2.7 TSF Closure Issues

The closure design for the active TSF 3.2 is detailed within the Waste Management Plan document which covers proposals for both tailings and waste rock. This document is required in accordance with applicable Regulations and the site Permit. The tailings closure design proposed in the Waste Management Plan is similar to that adopted for TSF 1 and comprises a layered cover system including (from the bottom up): waste rock cover; restoration soil layer; and vegetation. A similar arrangement is proposed for TSF 4.

One issue for the SASA Mine closure is the management of long-term water flows in the Kamenica River valley, currently and in the future, via the river diversion tunnel/culvert and surface water diversion channels. For the diversion tunnel, potential closure options are currently being evaluated by SASA Mine, in combination with the Faculty of Engineering, Skopje and SRK. The potential options being evaluated include:

- long-term maintenance of the existing diversion tunnel/culvert;
- maintaining the existing diversion tunnel but engineering bypass sections to replace culverts and ensure long-term flows are within the in-situ rock abutments; and
- relocating flow to surface, necessitating decommissioning (sealing) of the tunnel/culvert

and engineering of an open diversion channel at surface.

7.2.8 Monitoring Data

TSF 3.2 is monitored for:

- water elevations within the dam (piezometers);
- dust emissions;
- downstream contact water quality within the sedimentation pond at the toe of the slope;
- tailings flow rate and tonnage deposited; and
- periodic topographic surveys of the dam (typically monthly).

A total of 16 piezometers are located within the downstream slope shell and mainly focussed on the north side of dam. Their response zones are all located directly above rock-head at the base of the tailings. They are monitored on a weekly basis and all report dry conditions (and have done since installation).

Compliance monitoring in the downstream environment is discussed in detail within Section 9.

With regards to reporting of all monitoring data, an independent expert (Prof Blagoj Golomeov) visits every two weeks with a specific monitoring report issued to site every month and annual report submitted to the Ministry. The periodic reports compile all relevant data including: geochemistry; tailings characterisation; topography (monthly); and dam water levels from the piezometers (weekly).

7.3 Summary of Technical Review Findings

7.3.1 General

SRK notes that the appropriate management of the tailings dam and diversion infrastructure is a priority for the SASA Mine, and a number of enhancements have been made recently with respect to the analysis and management of the tailings and associated infrastructure. SRK notes:

- Documentation: designs, validation calculations (including slope stability and river diversion integrity), standard operating procedures, risk assessments, and emergency action plans are in place (a continuous programme of regular update and review should be adopted as standard practice).
- Active dust monitoring and control measures are in place.
- Regular inspections of the tailings dam are being undertaken by experts with documented reports, covering key parameters (including pore pressure within dam, culvert condition/integrity, pond water/dam crest elevations (freeboard), downstream geochemistry).
- Regular inspections and associated reporting of the diversion tunnel are in place.
- Detailed design for TSF 4 and detailed construction documents are in place.
- The TSF 4 project design includes appropriate measures to manage some critical risks. These include: diversion of river/culvert within abutment tunnel (not below tailings); non-

contact surface water interception ditches and spillway proposed for Petrova River on north side; basal drainage system below the dam footprint; and, a progressively raised rockfill buttress at the downstream slope toe comprising free draining waste rock.

- Golder Associates has evaluated the TSF designs to confirm the designs are appropriate to manage credible storm flows (including that the pond decantation systems and freeboard allowances assigned are sufficient to prevent beach above water inundation and dam overtopping during storm events). The recent works undertaken by Golder Associates indicate there to be no credible risk of overtopping in the critical storm-flow condition.
- Evaluation of closure options for the facilities is in progress based on internationally accepted risk-based approaches (Section 9.7.5).
- Spillways are included at closure to prevent overtopping from the TSF surface once active decantation (and specifically, return water to the plant) ceases.

7.3.2 TSF 3.2 (operating)

Key issues with respect to TSF 3.2 are as follows:

- **TSF water balance:** It is acknowledged that in current configuration there is significant available freeboard above the current pond elevation, and that this is monitored and maintained. Without an emergency spillway (or similar), it is essential the operational decant structures have sufficient capacity to maintain the pond level whilst allowing for storage of storm waters without inundating the beach or overtopping the dam. Calculations undertaken by others demonstrate that 600,000 m^3 of storage capacity is required above the operating pond level to accommodate flows reporting from the 1:1,000 year return period storm event (which has been adopted for the project in line with local legislation). This volume of water is required to be stored below the adopted minimum freeboard of 1.5 m. An emergency spillway will be constructed as part of TSF 3.2 closure in the next two years. Golder Associates has undertaken a detailed review of the design criteria of the dam and water diversion works. SRK considers that there is adequate capacity in the as-built configuration to manage flows associated with the critical design storm condition (1:1,000 year event) with no credible risk of overtopping.
- **Existing river diversion structure:** The culvert section directly overlain by tailings will remain active below TSF 3.2 (and older cells). There is a risk that if a culvert roof collapse occurred, an uncontrolled release of tailings to the downstream environment could occur (although the specific failure mechanism would be different to that which occurred in 2003). The connections between the river diversion structure, the TSF 3.2 concrete decant and the side valley decants are highlighted as areas of stress and potential risk in this regard. Golder Associates' review of the river diversion structure engineering highlighted the following:
  - significant rehabilitation works were successfully completed subsequent to the 2003 failure;
  - that these works mean that the mechanism of the 2003 failure is not feasible in current configuration;

  - a programme of regular inspection and maintenance is required during the active operational phase of the mine, and this is being conducted by SASA Mine on a monthly basis; and
  - at closure, revisions should be made to ensure a sustainable long-term solution that does not carry water in culvert directly below tailings (either a surface diversion or a re-routed tunnel section within the abutments).

  SRK notes that the tunnel is regularly inspected by SASA Mine staff, a full structural integrity survey of the river diversion tunnel also been commissioned by SASA Mine and is currently ongoing, and long-term closure options are being evaluated.

- **Phreatic surface within dam:** It is notable that all piezometers in the dam are reporting dry conditions (and have done so since installation). This indicates that drainage within the dam is operating correctly and effectively controlling pore pressures in the slope shell. Golder Associates reviewed the piezometers in 2016 and considers the readings to be correct and the dam to be dry, and that trigger values are being established by the site. No slumping, sloughing or seepage has been observed during inspection that would be indicative of saturation at higher elevations within the dam. In addition, the tailings in the dam section are cyclone sands which have low fines content and are therefore unlikely to sustain a high phreatic surface.
- **Dam slope stability and security:** A specific slope stability assessment has been completed for the active facility. In general terms, the methodologies, parameters and scenarios modelled are reasonable in the context of the stated report requirements. SRK understands that the methodologies and outcomes are reasonable in the context of relevant local and international Legislation/Guidance.
- **Downstream effects:** Regarding chemistry of discharge water, SRK notes that permit discharge levels have been exceeded at times in some discharges. To date, this has not resulted in regulatory penalties. SRK notes that SASA Mine has requested to align its permit discharge levels with Macedonian wastewater legislation (which align with international IFC guidelines), and are also currently evaluating options for capture and/or treatment of discharge waters as part of the Environmental and Social Action Plan ("ESAP"), and these matters are addressed further within Section 9.

7.3.3 TSF 4 (under construction)

Key issues with respect to TSF 4 are as follows:

- **TSF design:** See the comments highlighted above in relation to the active TSF 3.2. Recent work undertaken by Golder Associates indicates there to be no credible risk of overtopping in the critical storm-flow condition.
- **Capacity:** Based on the LoMp, there is only sufficient storage capacity in TSF 4 to allow storage of tailings to 2026, after which tailings will need to be deposited in a new downstream facility, TSF 5, for which designs need to be prepared but for which capital has been allocated.
- **Kamenica River diversion tunnel:** The initial construction (tunnelling and primary support) has been completed to a high standard. Further concrete lining works are in progress.
- **Petrova River diversion channel:** The construction is in progress.

- **Dam slope stability and security:** A specific slope stability assessment has been completed for the proposed facility. In general terms, the methodologies, parameters and scenarios modelled are reasonable and thorough in the context of the stated report requirements. Golder Associates has undertaken a review of the assessments, and as is also the case for TSF 3.2, is satisfied that the methodologies and outcomes are reasonable.
- **Liner:** SASA Mine intends to install lining for TSF 4 to address the request of the MEPP.

7.3.4 River diversion structure

- A tunnel integrity survey is underway and results will be available in 2017, along with any recommendations for further remedial actions.
- In conjunction with this study, SASA Mine has engaged the Faculty of Engineering, Skopje, to undertake analyses of catchment areas and potential flow rates and frequencies upstream of the mine, in order to understand the capacity of the river diversion structure and the intake to deal with closure requirements.
- Closure planning will evaluate alternative options for the long-term diversion of the Kamenica river, the work for which is currently ongoing.
- Extensions to the TSF 4 river diversion structures (tunnels and surface channels) will need to be made for TSF 5 and TSF 6 for the LoMp.

8 WATER MANAGEMENT

8.1 Introduction

The work undertaken to support this CPR comprised a desktop review of documentation provided by SASA Mine and draws on observations made during site visits by SRK personnel in March 2017. This chapter provides the current status on the following aspects:

- surface water management practices and status of infrastructure, including the river diversion tunnel, current discharge locations and potable water usage;
- summary of available information regarding groundwater inflows to the mine;
- review of the initial water balance model for the site; and
- overview of current water quality and flow monitoring programme.

8.2 Surface Water Management

8.2.1 General Overview

The SASA Mine operations are situated within the Kamenica River watershed. The Kamenica River runs from northwest to southeast. Two smaller drainages connect to the Kamenica River upstream of the current mine operations, the Svinja River and the Kozje River. Both drainages contain legacy mine workings (and surface waste rock dumps), with adit discharges partially captured in pipelines and partially discharged to the rivers. Seepage from the old dumps also enters the rivers.

Outflows from Levels XIVo, XIVb, XV and XVI are captured in a collection ditch and tunnel, which can discharge directly in the TSF 3.2 pond or to the process plant. Figure 8-1 shows the parallel Kamenica River and adit discharge collection ditch.

The process water intake structure is situated upstream of the confluence with the Kozje River and consists of a concrete storage tank which fills by gravity from an overflow along the Kamenica River. The intake pipeline collects water from the storage tank and flows by gravity to the process plant, generating sufficient pressure needed for the flotation plant.

Downstream of the confluences of the Kozje and Svinja rivers, the Kamenica River is captured in a concrete diversion tunnel as shown in Figure 8-2, which was historically constructed beneath TSF 1, TSF 2 and TSF 3.1, and then extended through the western abutment of TSF 3.2. Two additional drainages collect water on the eastern and western sides of TSF 3.1 and connect to the diversion tunnel. The eastern drainage, Velkov Potok, has a catchment area of approximately 0.25 km^2 and the western drainage, Soborski Dol, has a catchment area of approximately 1.37 km^2.

The site has recently completed a new diversion project for the Petrova River, located east of TSF 3.2, with a catchment of 5.9 km^2. This drainage previously discharged directly onto the TSF 3.2 supernatant pond, but is now collected and discharged to the Kamenica River downstream of the current outlet of the diversion tunnel. This surface diversion will be extended to take account of the new TSF 4.

The current length of the diversion tunnel is 2.6 km, although an extension approximately 500 m long has been constructed through the western abutment to allow for the construction of TSF 4. Figure 8-3 shows the current diversion outlet at the toe of TSF 3.2 and the entrance to the extension for TSF 4.

Discharge from the active tailings supernatant pond is achieved via a decant pipeline which discharges directly into the diversion tunnel. This discharge occurs for approximately five months per year. Pipeline and pumping infrastructure from the supernatant pond has been installed to allow for water recycling back to the process plant. Recycling is only used occasionally if required due to low river flows, but increased recycling is currently being evaluated. Additional pipelines and a separate pump station are in place to pump water from the supernatant pond to a series of sprinklers along the existing dam faces for dust suppression.

There are two separate seepage collection systems collecting the seepage below TSF 3.1 and TSF 3.2. Both collection systems discharge downstream of the TSF 3.2 dam in a collection pond, which discharges to the Kamenica River downstream of the diversion tunnel outlet.

Downstream of the active working areas and of the property boundaries, flows from the Kamenica River are diverted into a hydro power station, which is operated externally.

Mine Adit 830 is located approximately 1.5 km downstream of the current river diversion tunnel outlet and toe of the TSF 3.2 dam. The adit discharges meteoric inflows to the tunnel to a series of three sedimentation ponds, which flow by gravity into the Kamenica River. The pond discharge is situated downstream of the hydro-station intake, and upstream of its outlet.

Beyond Adit 830, the Kamenica River valley widens and slopes are reduced via a series of constructed concrete walls across the axis of the valley, as shown in Figure 8-4. These structures continue in series for several kilometres downstream to the town of Makedonska

Kamenica.

Figure 8-1: Adit 14 collection ditch discharging into tunnel grate (right) and parallel to Kamenica River (left)

Figure 8-2: River diversion tunnel intake structure; located adjacent to the processing plant and to the north of TSF1 (March 2017)

Figure 8-3: River diversion tunnel outlet and intake of TSF 4 diversion tunnel extension

Figure 8-4: Kamenica River valley, downstream of Adit 830; wide valley floor and existing terraces create potential wetland locations

8.2.2 Discharge Locations

A total of six mine site discharges occur at the SASA Mine, although only four require monitoring by the permit.

- TSF 3.2 seepage is discharged through a pipeline into a sedimentation pond at the toe of the TSF 3.2 dam, which discharges to the Kamenica River. Water quality is monitored at this location on a weekly basis, as well as periodic flow measurements.
- TSF 3.1 seepage is discharged through a pipeline into the same sedimentation pond as TSF 3.2 seepage. Water quality is monitored at this location on a weekly basis. Flow is also measured periodically, but at the outflow of the sedimentation pond, not at the outflow of the TSF 3.1 pipeline. As part of the ongoing hydrology study, clarity is being sought on whether tributary inflows are entering this system or draining directly to the diversion channel.
- TSF 3.2 supernatant pond discharges via a decant pipeline to the river diversion tunnel. Water quality monitoring has recently begun at this location on a weekly basis.
- Storm runoff from the plant site is discharged into the Kamenica River upstream of the river diversion tunnel. No water quality monitoring is in place and this is not covered by the permit.
- The sewage plant discharges into the Kamenica River directly upstream of the river diversion tunnel. No routine water quality monitoring is in place and this is not required by the permit.

- Adit 830 discharges into a series of sedimentation ponds which discharge to the Kamenica River downstream of the river diversion tunnel. Water quality is monitored at this location on a weekly basis.

8.2.3 River Diversion Tunnel

The river diversion structure entrance portal is located at the northern end of TSF 1 adjacent to the plant (Figure 8-2) and its exit is located immediately downstream of the TSF 3.2 dam slope toe at the southern end of the facility (Figure 8-3). The main features of the diversion tunnel are described in Section 7.2.3 in the section on tailings management.

In 2003, there was a failure resulting in the flow of tailings into the river diversion structure below TSF 3.1 (see Section 7.2.3). The river diversion tunnel and other surface structures are currently being extended as part of TSF 4 development and this is discussed in more detail in Section 7.2.3.

The University of Skopje prepared a hydrologic and hydraulic analysis, which estimated a 10,000-year peak flow for the Saska River of approximately 200 m^3/s (University "Ss Cyril and Methodius", Faculty of Civil Engineering, 2017). The hydraulic model, prepared as part of the study, states that the existing diversion tunnel for the Saska River is equipped to convey the 10,000-year flood. Additional consideration may be required for the Probable Maximum Flood ("PMF") event, specifically during closure.

SRK notes that a Technical Action Plan is currently being implemented to address surface water management at the TSF, and based on this makes the following observations:

- The active TSF 3.2 emergency spillway for formal diversion of non-contact surface water is planned to be constructed when the facility reaches its design height. To ensure there are sufficient provisions within decantation capacity (floating barge pump station plus vertical decant drain) and freeboard allowance to prevent inundation of the beach and potential overtopping simple flow balance calculations are planned. Similar calculations to validate the design proposals (and previous calculations) undertaken for TSF 4 are also planned.
- Consideration is being given to modifying the operational management practices, such as requiring (as a minimum) changes in freeboard allowance on either the active or proposed facilities dependent on the ability to manage flows within the control structures.
- The decantation/spillway closure requirements are being determined to prevent overtopping from the TSF surface once active decantation (and specifically, return water to the plant) ceases.

8.2.4 Potable Water Supply

Drinking water is abstracted from Toplici well, located at Mount Ruen. Water is stored in a 37 m^3 water storage tank where it is chlorinated. Drinking water quality is controlled by the State Health Institute ("RZZZ") of Kochani and is considered safe for consumption by the same institute.

8.3 Groundwater Management

Groundwater monitoring began in 2016 following the installation of two monitoring wells down gradient of TSF 3.2 and future TSF 4. This review has relied on information provided in the report: Review of RUDNIK SASA DOO with respect to Equator Principles III, prepared in April

2016 by Strength GEC for SASA Mine (SGEC, 2016).

8.3.1 Hydrogeological Regime

The mine workings are located within a hard rock environment and as such groundwater flow is likely to be structurally controlled (rather than intergranular flow, as is typical of an unconsolidated sedimentary aquifer or weathered zone horizon, for example). The hydrogeology of the area has not been characterised by means of site specific hydrogeological testwork. Groundwater, other than the alluvial aquifer immediately below TSF 3.2, is not monitored. The monitoring below the TSF has been done on three occasions to date, with routine monitoring planned going forward (the results of this monitoring are discussed further in Section 8.5.1).

Based on currently available information, it is not possible to characterise the hydrogeological regime in detail. This includes the interaction of surface water and groundwater, which is an important aspect in understanding the migration of possible contaminants associated with acid rock drainage or metal leaching from the mine workings once mining ceases (discussed further in Section 9.5.3). Further clarity on likely post closure water movements within and from the mine workings at closure could be ascertained by having a hydrogeologist, possibly in association with a geotechnical engineer, evaluate groundwater inflow within the existing workings.

8.3.2 Mine Dewatering

The SASA Mine is dewatered primarily by gravity drainage to two levels; Level 1,065 mRL and Level 830 mRL. Pumps are installed to move water locally within the adits as required, but significant pumping capacity is not required.

Level 1,065 mRL is a 3 km long adit midway down the workings, which drains the upper workings. The volume of water collected and discharged from the adit is currently unknown as there are no flow meters installed. There is a work plan in place under the existing ESAP to install a flow monitoring network across site. The 1,065 mRL level is now connected to the 830 mRL adit by means of a decline.

Level 830 mRL is a 5 km long adit located at the base of the deposit draining the overlying workings. The exact volume of water discharging from the adit is unknown; however, it is estimated that approximately 30 L/s of 'contact' water (waters collected below the SASA Mine complex) is pumped back to TSF 3.2 via a pumping system installed in 2015. An additional 30 L/s of 'non-contact' water (meteoric waters entering the adit along the tunnel length) is channelled to three sedimentation ponds before discharging to the River Kamenica.

In addition, mine waters from active mine adits: level XV o – 1,189 m; level XVI o – 1,120 m; level XIV o –1,060 m; and level XIV b – 1,059 are collected and transported to the TSF. The total flow from these adits is estimated to be 10 L/s.

While maintenance of existing infrastructure is required to effectively manage groundwater within the mine, SRK's opinion is that no significant additional investment will be required.

In general, mine dewatering is not considered a high risk item for the mine operation and significant volumes of water were not observed in the underground workings during the 2016 visits. From previous SRK reports, however, it is clear that pumping infrastructure must be maintained to keep the underground workings dewatered.

8.4 Water Balance

A high-level water balance was performed by Strength GEC in March 2017 for the SASA Mine. The purpose of the water balance was to assess the potential for water recycling across the site. SRK understands, based on discussions while on site, that this balance is an initial step as part of an on-going flow monitoring programme to develop a more seasonally sensitive and refined understanding of water volumes across the site. Due to limitations in the data input to the model, the current results must be considered as preliminary. This is discussed further in Section 8.5.2.

Outcomes from the study include:

- Excess water generated in the TSF 3.2 supernatant pond can be recycled to the process plant. Alternative recycling schemes are being evaluated, including options for pumping seepage discharges collected at the toe of the TSF 3.2 dam as well as outflows from Adit 830.
- Pump and pipeline infrastructure are currently in place from the TSF 3.2 pond to the plant.
- A metallurgical review of the suitability for using recycled water from the supernatant pond in the flotation plant is currently underway. Prior studies reflect overall acceptability of return water to the plant; however, additional testwork was recommended to determine whether any geochemical aspects of recycling process water will have detrimental impacts to recovery rates. SRK considers recycling of contact water within the mine site should be maximised where it is cost effective and chemically appropriate for usage in the plant.
- Further investigation into the potential usage of the Kamenica River valley for passive treatment of the Adit 830 discharge post closure is being investigated. The need for and cost of such an option post-closure will be evaluated as part of ongoing closure planning.
- An improved flow monitoring programme is being developed to augment the existing flow data and re-examine the water balance, including a sensitivity analyses for wet and dry periods should be included to verify the potential for water recycling.

Development of the water balance will consider the following:

- Evaluation of monthly and annual variability of inflows and outflows, specifically related to rainfall and runoff contributions, extended to consider the TSF 4 expansion. As part of the runoff modelling, a site-wide catchment delineation should be prepared, which evaluates runoff contributions from each tributary and/or discharge pipeline.
- Entrainment losses in the tailings solids, which can be estimated based on physical properties of the tailings; this volume of water will be unavailable for recycling purposes and could impact the recycling potential during the summer months.
- The outcome of the current assessment of the potential for recycling the TSF supernatant pond water as well as Adit 830 discharge and TSF 3.1 and 3.2 seepage discharge for reuse in the process plant.

8.5 Monitoring Data

8.5.1 Water Quality Monitoring

Historical water quality monitoring at the mine site has consisted primarily of measurements every ten days at the four discharge locations for reporting to the MEPP, as required by the IPPC permit. Additional samples have recently been collected as outlined below:

- Water quality samples collected every 10 days at the permitted discharge locations, since May 2014 (Section 8.2.2). The current parameter suite historically reflected only the IPPC permit requirements, but has recently been expanded to include those parameters -listed in the IFC's Environmental Health and Safety Guideline (2007) mine effluent guideline table;
- Five additional locations captured on a 10-day monitoring basis since May 2016 as part of the water balance study (Strength GEC, 2017). A total of 31 sets of samples have been collected as of 25 January 2017. The four discharge locations were sampled, as well as four samples along the Kamenica River, and a sample from the tailings cyclone discharge into TSF 3.2. The same parameters were assessed; and
- Up to 34 additional locations captured during ad hoc sampling programmes, with the most recent in October 2016. This included samples in the upstream catchments of the Kozja and Svinja rivers at legacy adit discharges and seepages from old waste rock dumps. The same parameters as above were assessed.

Two boreholes were installed in 2016 at the toe of the future TSF 4 dam, with monitoring at four different depths within the boreholes. Groundwater quality samples have since been collected in each well at various depths.

SRK observed opportunities for improvement in the sample collection, handling, analytical suite and data processing aspects of the water quality monitoring. As part of the hydrogeological study outlined in the ESAP, SASA Mine is reviewing its sampling protocols. The implications of the water quality data in terms of permit compliance and potential impacts on external receptors is discussed further in Section 9.5.4.

8.5.2 Flow Monitoring

Estimated flow rates across SASA Mine site are considered to be of low to moderate accuracy, although SRK notes improvements are currently being made as part of the current hydrology study. Methodologies for capturing flow have historically varied from simple bucket and stopwatch measurements, to flow meters installed in pipelines. Measurements were done infrequently in most cases and, for several sites, flow monitoring has only been undertaken on one or two occasions. Based on the data currently presented, results of the water balance should be interpreted as an initial estimate, which have been used to further potential recycling efforts to the plant.

A handheld velocity meter has been purchased for the site and will be used to conduct regular flow measurements along the Kamenica River as part of an on-going flow monitoring programme. The monitoring programme will consist initially of bi-weekly flow measurements along the river. Additional equipment has been purchased to measure flow through pipelines, including the TSF 3.2 and TSF 3.1 seepage lines which discharge at the toe of the TSF 3.2 dam.

Additional improvements to the flow monitoring programme are being evaluated as part of the hydrogeological study.

9 ENVIRONMENTAL, SOCIAL AND PERMITTING

9.1 Introduction

This chapter addresses the environmental, social and the associated permitting requirements for SASA Mine. The information presented in this chapter is based on desktop review of English translation of the original Macedonian documentation provided by SASA Mine's Environment Manager, a site visit in March 2017, and internal management documentation from its third party environmental advisor, Strength GEC, LLC.

The chapter focuses on the requirements of the JORC Code (2012) with respect to reporting Ore Reserves, providing the current status on the following aspects:

- the status of studies of potential environmental impacts of the mining and processing operation;
- the status of governmental agreements and approvals relating to environmental matters that are critical to the viability of the project;
- details of mine residue characterisation and the status of approvals for process residue storage and waste dumps;
- the status of agreements with key stakeholders and matters leading to the social licence to operate;
- identification of potential issues of materiality; and
- the chapter concludes with a summary of recommendations on how these potential material issues can be addressed.

9.2 Background context

- The mine has operated since at least 1966 and, for most of that time, was a state-owned entity. Because of the age of the mine, no pre-disturbance EIA was prepared and limited true baseline data exists.
- There are a number of historical mine workings and waste rock dumps, which are not the legal liability of the mine, upstream of the current mine workings, along with two old TSF (TSF 1 and 2). Some adits are discharging water with metal limits above both local and international effluent guidelines.
- Regulation of the environment is by means of the Law on Environment published in the Official Gazette No.53/2005. It introduces a system of integrated control and pollution prevention and requires an Integrated Pollution Prevention and Control permit (known as the IPPC permit or "A Permit").
- Environmental issues at Lynx Resources company level are managed within the Production and Technical Department and headed by an Environmental Engineer. The Environmental Engineer prepares the necessary documents and reports for Lynx Resources' senior management and to the MEPP.
- Environmental performance is regularly monitored by the State Environmental Inspector who visits regularly, with the most recent visit in February 2017.
- Lynx Resources is ISO 14001:2015 certified based on an audit undertaken in February

2017. The audit states: "The organization has developed a new Integrated Management System Manual in accordance with the new requirements of the ISO 9001:2015 and ISO 14001:2015 standards and the existing requirements of the BS OHSAS 18001:2017 standard." Internal and external audits against this new system highlighted a number of recommendations and these are currently being implemented, with compliance tracking in place.

- There are no designated protected areas in the vicinity of the mine.
- Water management is discussed in Section 8 and, from an environmental perspective, there are four regulated point source discharges (TSF 3.2 pond discharge, TSF 3.2 seepage, TSF 3.1 seepage, and non-contact water discharged from Adit 830) as well as a number of minor/diffuse discharges from the general mine area, generally of rainfall runoff from active areas.
- SASA Mine developed an Environmental and Social Action Plan in 2014 (2014 ESAP) aimed at aligning with good international industry practice ("GIIP") and this was updated in 2016 to align with the latest set of Equator Principles (2013) and IFC Performance Standards (2012). These actions are currently in progress and are referenced below where relevant. Environmental and social management at the site is therefore in a state of positive flux and so the findings presented in this report represent the situation and uncertainties at the time of writing this report and may change as the actions are implemented.

9.3 Environmental Impact Studies

For the re-start of mining operations in 2006, following privatisation of the mine, the then operator submitted to the MEPP:

- An Environmental Impact Assessment Study for the mine and processing facilities, prepared in 2006 by University "Saints Cyril and Methodius", Skopje, in accordance with MEPP guidelines (this was approved by MEPP in June 2006).
- An EIA Study for the new TSF 3, Phase 2 (TSF 3.2), which was approved in 2007.
- A Report on Strategic Environmental Assessment ("SEA") on the territory of SASA Mine prepared in 2008 by Tehnolab DOO Skopje.

Although reviewed and approved by the MEPP, the EIA did not contain the level of detail typically associated with GIIP in some areas, for instance:

- no scoping process was undertaken to gather the views of local stakeholders (recognising the mine had been in operation for several decades at the time of preparing the documents);
- limited baseline information was collected (for example no groundwater information, inadequate description of ecological systems, limited biodiversity data and a lack of socio-economic baseline information);
- lack of modelling studies for predicted impacts to air quality, water resources and noise receptors (human and ecological);
- lack of social impact assessment with the studies focused on environmental considerations only; and

- lack of formal environmental (and social) management plans or associated management system by which to implement management measures.

A new EIA to address environmental considerations of the planned TSF 4 was submitted as a draft to the MEPP in November 2016. A public hearing was held in February 2017. As stated in Section 7, the MEPP recommended that the Minister for Environment approve the EIA, subject to SASA modifying the design to include a liner. SASA Mine management intend to install a lining to address this request.

9.4 Environmental Permits and Approvals

There is a permit register and this indicates the mine is fully permitted for continuing operations.

9.4.1 IPPC permit

Lynx Resources submitted an application for the IPPC permit on 16 June 2008. In March 2014, the mine obtained a “Permit for Alignment with the Operational Plan”, which is a predecessor permit to the IPPC permit. This permit contained an Operational Plan with commitments to undertake a series of environmental improvements before the actual IPPC permit was issued. The mine completed these projects (spending approximately EUR1.2m) in November 2014. The MEPP visited again in February 2016 to confirm that the works in the Operational Plan had been completed. The IPPC permit was approved in October 2016 and is understood to be the first received by a mining operation in Macedonia. It includes a large number of conditions of approval, against which compliance needs to be shown. SRK understands this is done by means of the annual report. There is no commitments or obligations register capturing and formally tracking these requirements.

An Application for Changes to the IPPC permit was submitted in April 2017 requesting amendments to the permit for minor changes to the operation since March 2014. The application currently sits with the MEPP and Lynx Resources expects to hear back in due course. This application also included a formal request to amend the discharge limits in line with the Macedonian legislation for wastewater discharges (“Rulebook on the conditions, manner and emission limits for wastewater discharge in surface waters” published in the Official Gazette of the Republic of Macedonia No 81/2011), highlighting that the existing limits were created with reference to the Decree for Classification of Waters No 18/1999, which was applicable to in-stream surface water guidelines, and not for discharges of industrial wastewaters. In contrast the updated Macedonian wastewater legislation (81/2011) is more closely aligned with international guidelines for industrial effluent discharges to the environment, including the IFC Environmental, Health and Safety Guidelines for Mining.

Non-compliances of wastewater discharges with the IPPC permit limits are dealt with via a minor annual permit fee to the MEPP, which incorporates an annualised calculation for exceedances. This fee has historically been approximately EUR5,000 per annum, and is expected to be of the same magnitude for calendar 2017.

9.4.2 Other permits

The mine has permission to abstract water from the Kozja, Saska, and Petrova Rivers. There are also permissions to divert the Petrova River away from TSF 3.2 and divert the Saska River through a diversion channel.

SRK understands a number of additional permits are required to enable construction and operation of the planned TSF 4. These are tracked in a register, with the current status of key permits as follows:

- Permission for Facilities Construction from Ministry of Transport and Communication ("MTC"): These permissions are well advanced for the diversion tunnel and in progress for the starter dam. The EIA for TSF 4 requires approval before finalising the submissions to the MTC;
- Permission to Change the Route of the Electrical Power Structure Line (from MTC): This will be sought at the end of 2017 and the design document has been prepared by a licenced company.
- Permission for the Capture and Release of Water (from MEPP): This is only required once the construction of TSF 4 is complete.
- Modification to the existing IPCC permit once the TSF 4 is in operation, to incorporate operating requirements of the facility.

9.4.3 Non-conformances

Two non-conformance issues have been identified following State Inspectorate of Environment inspections by the MEPP: one in 2014, which is resolved; and a more recent one arising from the February 2017 inspection, which is in the process of being resolved.

2014 non-conformance

Following the inspection, a number of issues were raised. Lynx Resources appealed against the findings and following assessment by the Intermediation Committee, a settlement was reached between SASA Mine and the State Inspectorate, resulting in the payment of a small fine and an agreement to develop and implement a plan to pump contact mine water (from below operational workings) at the 830 mRL level back to the TSF. This work was completed in 2015.

2017 non-conformance

SRK understands that during past inspections, the State Inspectorate had suggested the drainage from the remainder of Adit 830 should be fully managed (treated or recycled), as the Adit 830 discharge is currently one of the IPPC permit monitoring points and has had non compliances to the discharge limits in the permit. SASA Mine has disputed this in the past, claiming that the mine already captures and pumps back to the TSF the discharge below the active mining areas in the Adit 830 horizon, and the remainder of water in the Adit 830 is meteoric water or from historical adits outside of SASA Mine's operations area. These prior inspections did not result in any decisions.

In February 2017, the State Inspectorate issued a formal Decision following an inspection, instructing the sedimentation ponds at the exit of Adit 830 be filled in as these are not within the concession area, or otherwise, to provide documentation evidencing approval of the operation of such sedimentation ponds, as well as a permit to discharge wastewaters from the mine. SASA Mine appealed this decision, and in the meantime a mediation was held on 4 April 2017 with the State Inspectorate, where it was determined that SASA Mine should apply for a formal permit for the construction of the sedimentation ponds and required water permits at the 830 mRL level. SASA Mine has reportedly received the water management consent and environmental permits required, and has submitted an application for the construction permit for the sedimentation ponds.

The February 2017 inspection also included a decision requiring improvements in dust control on the TSF. SRK understands the current maximum sprinkling capacity is 100 m^3/h pumping with 16 distributors (five active at any one time). SASA Mine informed the inspectorate that a project has been prepared to invest approximately EUR90,000 to increase sprinkler capacity to 200 m^3/h pumping with 21 distributors (10 active at any one time). The project is also proactively intending to set up 24-hour continuous dust monitoring stations. These initiatives are underway and expected to be completed in 2017.

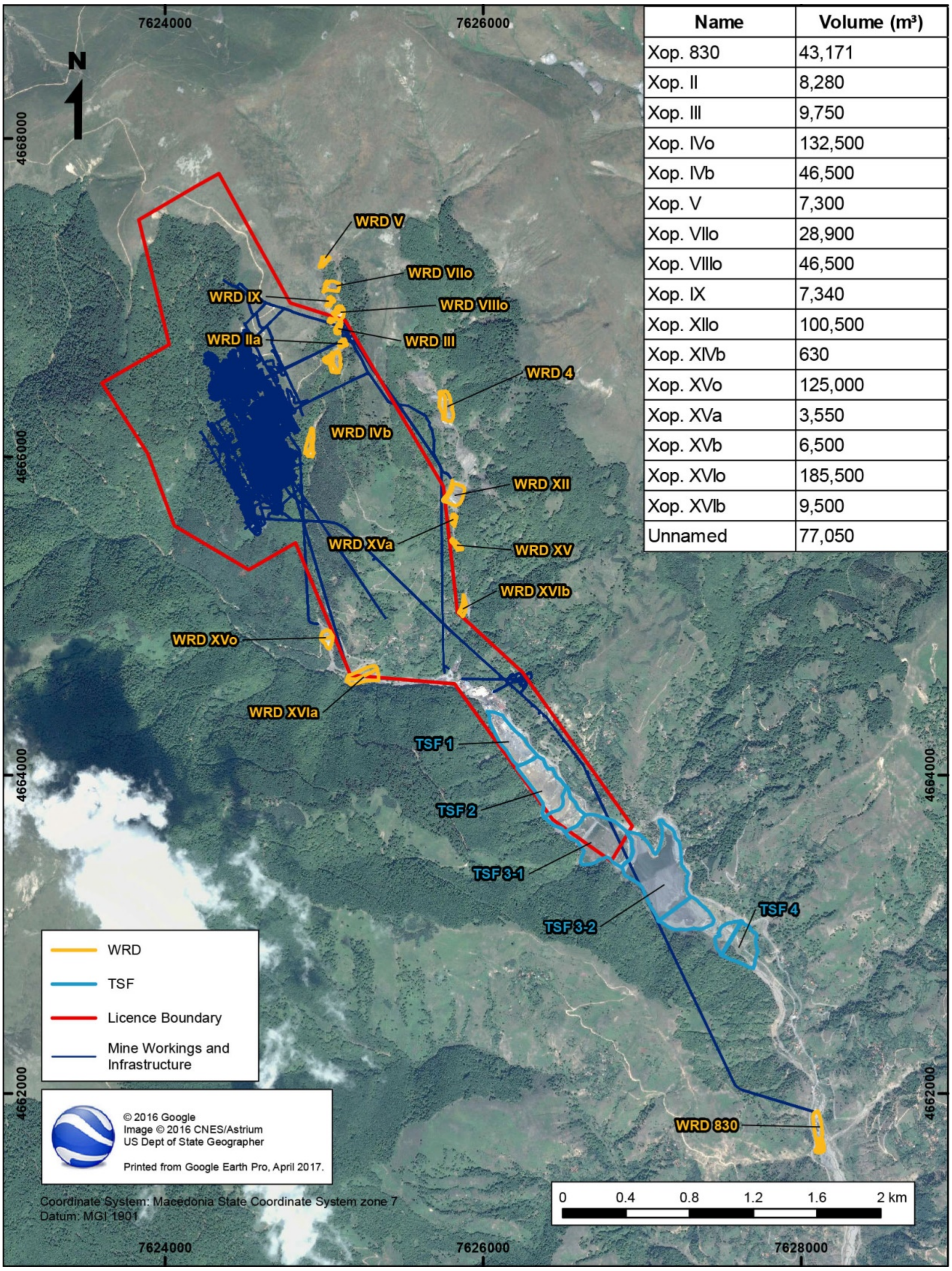
SRK notes a legal opinion (April 2016), which determined that Lynx Resources is not liable for other contributors to poor water quality of the Kamenica River, namely acid rock drainage emanating from the historical adits and legacy waste rock associated with historic State mining operations (Section 9.7.1).

9.5 Mine wastes (waste rock and tailings)

Figure 9-1 shows the location of the mine residue facilities and Table 9-1 indicates the status of the waste rock dumps with respect to whether they are active or not, and whether they are inside or outside the licence area.

Table 9-1: List of waste rock dumps and their status

Name	Active or Inactive	Licence area status	Volume (m^3)
Xop. XIVb	Active	Inside	630
Xop. 830	Inactive	Outside	43,171
Xop. II	Inactive	Inside	8,280
Xop. III	Inactive	Outside	9,750
Xop. IVo	Inactive	Outside	132,500
Xop. IVb	Inactive	Inside	46,500
Xop. V	Inactive	Outside	7,300
Xop. VIIo	Inactive	Outside	28,900
Xop. VIIIo	Inactive	Outside	46,500
Xop. XIIo	Inactive	Outside	100,500
Xop. IX	Inactive	Outside	7,340
Xop. XVo	Inactive	Partially inside	125,000
Xop. XVa	Inactive	Outside	3,550
Xop. XVb	Inactive	Not confirmed	6,500
Xop. XVIo	Inactive	Outside	185,500
Xop. XVIb	Inactive	Inside	9,500
Unnamed	Inactive	Not confirmed	77,050



Name	Volume (m³)
Xop. 830	43,171
Xop. II	8,280
Xop. III	9,750
Xop. IVo	132,500
Xop. IVb	46,500
Xop. V	7,300
Xop. VIIo	28,900
Xop. VIIIo	46,500
Xop. IX	7,340
Xop. XIIo	100,500
Xop. XIVb	630
Xop. XVo	125,000
Xop. XVa	3,550
Xop. XVb	6,500
Xop. XVIo	185,500
Xop. XVIb	9,500
Unnamed	77,050

Figure 9-1: Location of mine residue deposits (waste rock dumps) with respect to the licence area

9.5.1 Waste rock dumps

There are a number of historical adits and waste rock dumps ("WRD") associated with the State run operations where the limited available data show they are contributing to elevated levels of acidity and metals in the receiving watercourses (which are tributaries of the Kamenica River). These features are considered by Lynx Resources and its legal advisors as a legacy of prior State operations and are discussed further in Section 9.7.1. Under the 2012

Law on Mineral Waste, waste rock was not subject to special management consideration though more recent regulation has changed this.

In terms of the legal opinion (Section 9.7.1) only the active waste rock dumps require rehabilitation.

9.5.2 Tailings storage facilities

There is a series of TSFs at the mine. The current operation is utilising TSF 3.2 and is in the process of constructing a new TSF 4. TSF 3.1 was rehabilitated by the previous private owners and the older TSFs have partially revegetated naturally. The old TSF 1 and TSF 2 remain State liabilities (Section 9.7.1), but they present an opportunity for the mine to work with the State to develop rehabilitation technologies that might be applied later to the mine's responsibilities. This opportunity is recognised in the ESAP.

In 2003, when under the responsibility of the State, there was a failure of a roof slab of a control shaft that collected drainage water above TSF 3.1, resulting in the uncontrolled inflow of tailings into the culvert section below the TSF. This, in turn, resulted in approximately 100,000 to 150,000 m^3 of tailings being released downstream with water quality and sediment effects observed as far as Lake Kalimanci. The remediation of this infrastructure is discussed in Sections 8.2.3 and 7.2.3 in more detail. Liability for the damage caused by this incident is discussed in Section 9.7.1.

9.5.3 Geochemical characterisation of mine residues

There has to date been no formal geochemical characterisation or acid rock drainage and metal leaching ("ARDML") testwork of the waste rock and low grade ore. Some information is available on tailings chemical composition and supernatant water quality, but an ARDML assessment using static and kinetic testwork has not been completed.

There was visible evidence during the site visit and water quality data indicating that ARDML is emanating from the legacy adits and from the seepage pipeline draining TSF 3.1, which may be affected by other non-contact water streams (Section 8.2.2). There is visible pyrite in the waste rock material deposited on surface and assay data confirming the pyrite reports to the current tailings facility. The tailings are pumped to the TSF at elevated pH as a result of lime addition and there is buffering capacity within the tailings as a result of the host dolomite which reports as waste.

The long term acid generation and neutralisation potential, however, needs to be established for both the waste rock and tailings. This needs to be quantified as the material removed as waste rock, tailings and remaining as wall rock within the mine may not contain sufficient buffering capacity in the longer terms (tens to hundreds of years). The cross section shown in Figure 9-2 (if it is representative of the deposit as a whole) indicates this as an example.

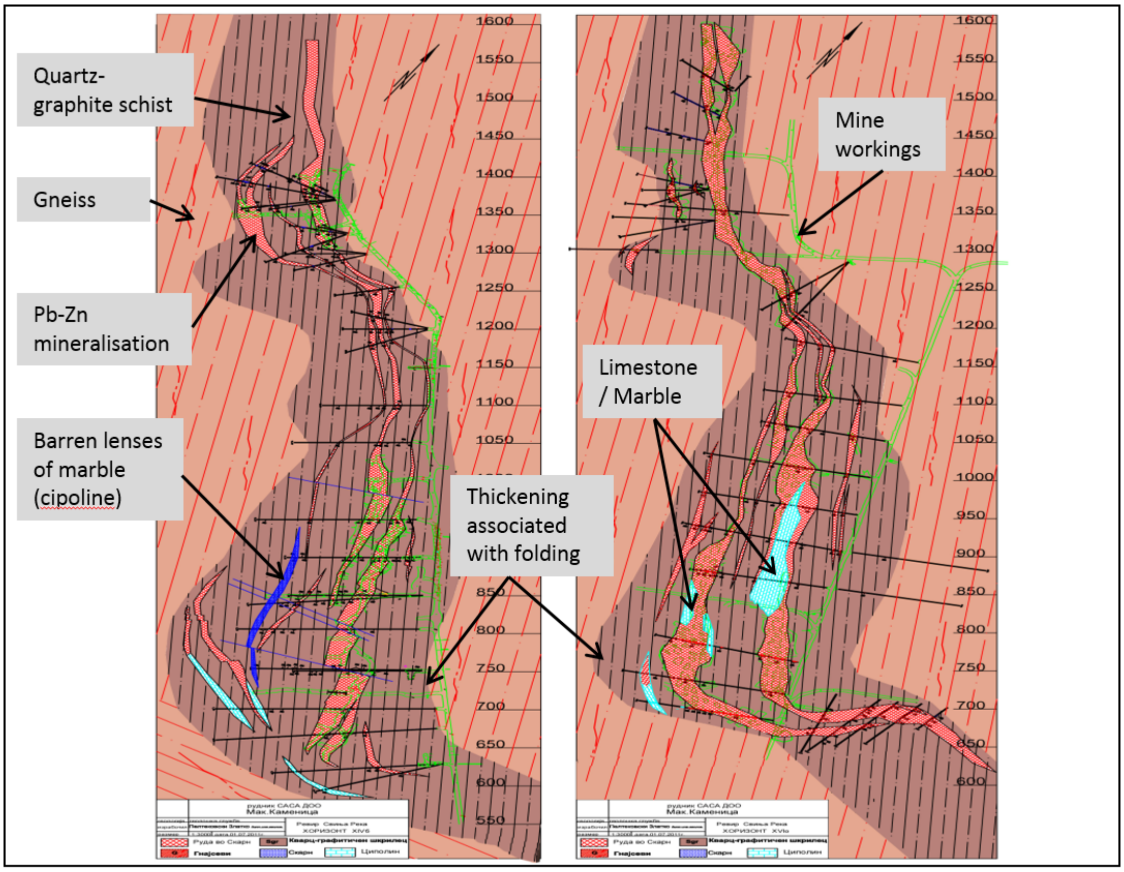


Figure 9-2: Geological Plan views at SASA Mine Levels XIVb (left) and XIV (right), (modified from SASA 2016)

Visual estimates of wall rock indicate that only a relatively small amount of limestone will be exposed or mined along with the sulphide ore, and the acid generation capacity and buffering potential of these materials needs to be assessed. The relative proportions of the different lithologies of the likely materials that will form the wall rock (and that will contact groundwater that re-enters the mine), waste rock and tailings need to be determined. Static and accelerated kinetic tests should then be conducted using this information as a sampling guide on the current and future waste rock and tailings. This will allow the determination of the long term ARDML issues that could occur with the wastes generated from the current and future operations and determine if mitigation measures may be required.

The ARDML characterisation and continued observation in trends of water quality from the TSF pond and seepages will enable an assessment of whether there is a need for water treatment of: the seepage and runoff from the TSFs; the seepage and runoff from the WRDs; and the water emanating from the underground workings. The characterisation work will determine whether a water treatment system is required and (if it is required) the component parts needed within the treatment circuit.

As part of the ongoing closure planning and hydrology studies, consideration is being given to the use of a passive water treatment system for the long term treatment of any drainage from the mine workings at closure.

9.5.4 Impact on water quality

Surface Water

There is limited water quality monitoring of some of the historical adits and WRDs (Section 8.5.1). Some of these show the effects of ARDML (with low pH and elevated metals); however, the available data on the receiving watercourses show the quality improves downstream indicating dilution and potentially natural buffering from the surrounding catchments. Water quality in the river, however, still exceeds the Macedonian Category III environmental water quality standards for parameters such as lead, zinc and manganese where the Kamenica River enters the Company's area of responsibility.

In the absence of appropriate in-stream standards included in the permit, available data have been compared to the Macedonian Category III environmental water quality standards and Macedonian and various international drinking water standards (WHO and United States ("US")), noting, however, that as a Category III river, the water is not classified as drinking water in Macedonia. Cognisance is also taken of the fact significant levels of contaminants are entering the system from upstream of SASA Mine's workings due to discharges and seepage from legacy mining operations, which remain the responsibility of the State (Section 9.7.1).

Upstream of SASA Mine's zone of influence lead, zinc, manganese, and cadmium exceed the Category III environmental water quality standards, with some of the parameters also exceeding the drinking water standards. Zinc and manganese exceed the Macedonian Category III environmental water quality standards as far as 5 km downstream of the site. SRK notes that no health-based guideline value has been proposed for zinc in drinking water by WHO 2011. Manganese levels also exceeded the US (Secondary Drinking Water Standards) and Macedonian drinking water quality standards, although SRK notes that with respect to WHO 2011 guidelines this is an aesthetic rather than a health limit. With no original baseline water quality monitoring and no monitoring of reference sites in unimpacted catchments, the natural background contribution of the deposit on water quality cannot be confirmed and thus the impact of the mine over and above this natural contribution can also not be confirmed.

The August 2016 Memo Regarding Water Testwork at SASA (Strength GEC, LLC) concludes "All monitoring points in the Kamenica River below the site show concentrations of zinc <5.0 m/L which is a widely accepted drinking water guideline. Thus it is likely that current zinc concentrations in the Kamenica River are not having an adverse environmental or ecosystems services impact". SRK considers the outcome of the currently planned hydrology and biodiversity studies, as well as the improved water quality monitoring programme, need to be evaluated before this can be confirmed. SRK recognises this cannot be done in isolation, as significant contributions are arising from the historical workings that are not the responsibility of SASA Mine. There is, however, significant time in the LoMp before closure to improve the quality, type and quantity of input data, assess this with respect to downstream water user requirements and use this in further evaluating the need for long term water treatment.

Groundwater

The groundwater below TSF 3.2 is now being monitored, although of the three samples collected during 2016, only the first involved sampling at different depths within the alluvial aquifer. Macedonia does not have groundwater specific guidelines other than those for drinking water. Comparison of the limited data with the same guidelines used to assess surface water (see above) indicates groundwater in the alluvial aquifer, which is downgradient of TSFs 1, 2, 3.1 and 3.2, indicates:

- compliance with Macedonian drinking water quality standards other than for a slightly low pH and high suspended solids but these are not considered a major health risk;
- materially compliant with WHO drinking water standards; and
- compliance with Macedonian Category III environmental quality standards except for zinc.

Monitoring in a neighbouring alluvial catchment, unaffected by mining, would be needed to confirm if the quality was typical of water found in the wider area and naturally affected by the underlying geology. As with surface water, monitoring of the alluvial catchment upstream of SASA Mine's operations may also provide insight into the effects of any legacy mining on this catchment.

9.6 Stakeholders and social licence to operate

The project reportedly enjoys good relations with the community of Kamenica, which owes its existence to the presence of the mine. Stakeholder relations are in large part defined by the legacy of the mine as a state-owned operation and the high rate of poverty in the region, one of the poorest in Macedonia. Many individuals have moved from other parts of Macedonia to locations on the mine concession to be close to their workplace.

Approximately 5,000 people live in the city of Kamenica, located approximately 10 km below the mine concession and where the Kamenica River enters Lake Kalimanci. Another 2,000 individuals live in small settlements and villages in the Municipality of Kamenica, including some communities along the Kamenica River between the mine and Lake Kalimanci. It is estimated 50 to 60 people live in 20 houses located on the mine property. The mine has provided apartments for these families in Kamenica; however, many have chosen to stay in their old residences, particularly during the summer months.

The mine employs about 700 people with another 200 contractors. According to the Law on Mandatory Social Insurance Contributions, published in the Official Gazette of the Republic of Macedonia No.142/2008-53/2011, for each employee Lynx Resources pays 18% pension insurance, 7.3% health insurance, 1.2% unemployment insurance, and 0.5% additional health insurance (totalling 27% that is deducted each month from the employee's gross salary and paid to the State).

Following on from community complaints regarding dusting from the TSFs, additional sprinkler investments were made in 2016. Further plans are underway to increase the amount of sprinklers, evaluate other dust suppression techniques and increase dust monitoring in 2017. The ESAP includes a commitment to develop an air quality management plan to improve dust control at the site.

Approximately EUR250,000 per year has been spent on community sponsorship programmes over the last few years. Activities include repairing infrastructure in the community, donations of equipment to local schools, kindergarten and gym, support of local sporting clubs, supporting youth leadership programmes, and community events and celebrations.

The mine also pays a concession fee of 2% of the gross metal value of concentrates sold, equating to approximately EUR1.5m to EUR2m per annum, 78% of which is allocated directly to the local community. These funds have been used for critical infrastructure in the community including schools, kindergarten, special needs centre for disabled children, a new church, emergency services, a new community market place, etc.

Historically, there has been no social impact assessment and no stakeholder engagement plan, but actions to address these gaps are included in the ESAP. Communication with stakeholders is briefly touched upon in the mine's ISO14001 Communication Plan, which was updated in 2016. Social management and community development are also not formally documented although the mine maintains close contact with Kamenica elected officials regarding community needs.

9.7 Possible matters of materiality

This section identifies potential risks that may be material to the project. Material is taken to be costs greater than USD1m; it thus does not address routine day to day management of environmental issues. For example, non-mining waste management is not addressed, such as the potential development of an on-site landfill, because this is not considered material.

9.7.1 Historical liabilities

SRK notes there are two possible sources of historical contamination. The first of these is the 2003 tailings emission that occurred under state ownership, and the other is on-going point source and diffuse releases from the historical mine workings and associated mine residues. Lynx Resources has no liability for historical contamination under Macedonian law, as evidenced by a legal opinion from Georgi Dimitrov Attorneys (April 2016).

Tailings incident

Various investigations by local universities and institutes have shown historical contamination resulting from this spill may still be present in the environment, especially in down gradient soils and sediments. According to the legal review, under Macedonian law there is no liability sitting with the current owner of the mine to clean up downstream of the site any residual contamination associated with the 2003 incident (when it was operated by the State) nor is the current operator considered liable for third party claims associated with the effects of this contamination.

Contamination arising from historical mine activities

There is historical contamination arising from the historical mine workings and the associated mine residues (Section 9.5). Limited water quality and soil quality data have been collected, and with a limited number of parameters assessed, assessing actual impacts is challenging. Air quality data were collected for the IPPC permit application and continues to be collected. These data indicate there are remnant contamination issues associated with previous operations (Strength GEC, 2016).

Based on the legal opinions referenced above, Lynx Resources is not considered responsible for any historical liability. SRK notes that separating the effects of historical contamination from the historical mine workings and residues, from any new contamination generated by current operations, can be challenging for the following reasons:

- there is extensive inter-connectivity of these facilities with those used for ongoing operations and no studies have been undertaken to determine the implications on either the existing operations or the environment of closing/rehabilitating these historical features;
- there is limited background reference data from areas not disturbed by operations (i.e. representing the potential natural baseline);
- there is limited hydrogeological information of the active mining area and the current commitment in the ESAP is more focussed on surface flows than groundwater leaving this as a gap in the knowledge base; and
- although a liability assessment was undertaken by local consultants in accordance with local requirements, no primary data was collected at the time of transfer of ownership and the review relied on the existing limited data collected by the previous owners.

As indicated above, the ESAP includes a number of actions to improve the knowledge of water movement within and around the site and how this affects downstream water resources. Without an improved understanding, however, it is difficult to comment on the potential materiality of issues arising from these liabilities, such as the need for further separating water from current and historical workings, the need for operational or post closure water treatment, or the type of rehabilitation likely to be required at end of life of mine. The ESAP also recognises a potential opportunity of being able to work with the State to find rehabilitation solutions to address historical legacy mine workings and associated mine residues upstream of the current operation as part of closure planning.

9.7.2 Cyanide management

A review of the cyanide management practices was undertaken in March 2017 to evaluate current practices with the requirements laid out in the International Cyanide Management Code. The site visit included: a review of management measures, procedures and protocols related to cyanide management; an inspection of the storage and makeup areas; and an inspection of the cyanide dosing points within the processing circuit. Procedural opportunities for improvement were identified and are being considered by SASA Mine.

SRK notes the discharge limits under the IPPC permit (0.001 mg/L) are low and not in line with Macedonian wastewater legislation 81/2011 or IFC Guidelines, which both prescribe a limit of 0.1 mg/L for free cyanide. As noted above, SASA Mine is working to correct its IPPC discharge limits to align with Macedonian legislation. For the data reviewed (May 2014 – February 2017), there have been some instances where elevated levels (above the 0.001 mg/L, Macedonian IPPC maximum allowable concentrations (“MCL”) and in some cases above the Macedonian effluent guidelines of 0.1 mg/L) of free cyanide have been detected in the waters at APV 1 (spillway TSF 3.2) and APV 2 (drainage 1+2 TSF 3.2). There are several exceedances of the Macedonian IPPC MCL and one instance of exceedance of the Macedonian effluent guidelines for APV 4 (discharge from sedimentation pond at Adit 830) and APV 3 (drainage 2 TSF 3.1). As the water from Adit 830 is meteoric water, the reason for the exceedance here is unexplained and may be due to poor sample collection and handling practices observed on site. In sampling of the Kamenica River below the discharge points, cyanide has at all times been below Macedonian drinking water guidelines (0.05 mg/L) and WHO drinking water guidelines (0.07 mg/L).

Due to the lack of preservation of the samples collected and the clear glass/plastic used for collection the sample results could be artificially low; however, due to the cross contamination of the samples with no gloves, pipettes being used for multiple samples, and sample bottles being reused, the results could also be artificially elevated. As stated in Section 8.5.1, a review of the laboratory/sampling procedures and training of onsite personnel is required to improve the confidence in the results obtained.

9.7.3 Stakeholder engagement and social licence to operate

It appears relationships with local communities and employees is good, so material risks arising from informal management of social issues is probably not material. Nonetheless, good stakeholder engagement and a transparent appropriately targeted community development plan (that looks towards post-mining sustainability, not short term infrastructure needs) are considered good international industry practice. SRK understands that as part of the ESAP and to manage the above risk, actions relating to the following are being implemented:

- development of a stakeholder engagement plan, including a grievance mechanism;
- undertaking a social baseline study and social risk assessment;
- developing a social management plan; and
- if required, developing a resettlement action plan for any people who need to be relocated.

9.7.4 Improvements in environmental and social management

Although individually, the actions included in the ESAP may not be material, combined they have the potential to improve the risk profile of the operation.

Although the mine has a certified ISO14001 management system, there are gaps in the knowledge base with respect to being able to fully understand how the project is affecting the surrounding environment (as discussed above). SRK's comments with respect to getting a better understanding of these impacts and any associated risks are given below, recognising some of the issues are already being addressed as part of the ESAP work.

- Only particulate matter with a diameter less than 10 µm (PM10) is monitored in terms of air quality and the majority of locations are next to mine infrastructure rather than at receptor locations. This means compliance with relevant standards and actual potential impacts cannot be confirmed. Amendments to the monitoring programme and assessment of these impacts by means of air quality modelling can be addressed as part of the development of the Air Quality Management Plan, which is included in the ESAP.
- It is understood no domestic water supply is occurring and the recently installed hydroelectric power station is altering river dynamics; however, a more detailed analysis of the downstream uses of the river would be beneficial. The ESAP includes both water management (see next point) and biodiversity programmes to address these gaps.
- The ESAP includes a number of actions relating to better understanding the hydrology and water quality of the catchment, including the contributions from the historical workings. The outcome of these studies will be used to revise water management and treatment for both operations and closure. In addition to the ESAP commitments, SRK has suggested further actions that would provide further critical information, namely:

- o improvements to the water quality parameter suite to ensure impacts can be fully understood and confirm the quality assurance/control of the data (inclusion of cations/anions, dissolved and total metals and nutrients);
- o improvements to the sampling and analysis methods to ensure consistent results;
- o undertaking geochemical characterisation (static and kinetic testwork) of representative waste rock lithologies and tailings to better understand the long term potential for ARDML;
- o characterising the groundwater regime in the vicinity of the mine workings to better understand ground and surface water interactions, within and outside the workings; and
- o in discussion with regulatory authorities and other stakeholders, consider in-stream water quality objectives against which impacts can be evaluated and the need for treatment assessed.

9.7.5 Mine Closure and Rehabilitation Regulations

In June 2017, SRK prepared a conceptual closure plan ("CCP"), which included a closure cost estimate for the operations with a ±50% level of accuracy. The CCP has assumed the following areas will require decommissioning or rehabilitation before or during the mine closure phase:

- Surface Facilities – demolition or dismantling of structures and civil constructions and removal of resulting materials from site for disposal or recycling. The subsequent re-profiling or "regrading" of bulk earthworks is also included.
- Underground Mine and Portal – removal of equipment and infrastructure from the underground mine is required at closure. The mine access portal must be sealed off to prevent ingress post closure.
- Tailings Storage Facilities – to date a total of 4 TSFs have been constructed (TSFs 1, 2, 3.1 and 3.2). An additional three facilities (TSFs 4, 5 and 6) will be required to store all tailings produced over the remaining Life of Mine period. The TSFs shall be encapsulated with an engineered cover system to isolate stored waste from environmental receptors. As the rehabilitation of TSFs 3.2, 4 and 5 is handled as an operational cost in the financial model, the CCP only costs for the closure of TSFs 1, 2 and 3.1 (where improvements in the initial rehabilitation are required) and TSF 6.
- Waste Rock Dump – Currently there is one active WRD (WRD XVIa) that the mine owner has a legal responsibility to remediate. Historic WRD areas in the mining concession are under the responsibility of the Government to remediate and hence are not included in the cost estimate (though as stated above, SASA Mine is in discussions with government about how these could be addressed).
- Mine Adits - four mine adits currently discharge excess water from the underground mine, which is collected in a series of surface channels and transported to the active TSF (currently TSF 3.2). Whilst the legal responsibility for these adits is not with SASA Mine, the discharge reports directly to TSF 3.2 and hence adits will be sealed at closure.
- Underground Mine Water Discharge – groundwater from Adit 830 is discharged via a series of sedimentation ponds into the Kamenica River. The assumption is that a passive

water treatment option is required post closure to maintain water quality.

In addition to the above items, suitable post closure monitoring provisions are required to confirm the performance of the engineered cover systems and water treatment systems installed at closure.

For the purposes of closure design, the CCP considered two potential methods for diversion of surface water flows upstream and in the catchment of the TSFs. These are summarised below as follows:

- Option 1 – Use of the existing river diversion channel to pass a portion of the storm water flows from the upstream catchment area only. In conjunction, a surface channel diversion will be constructed adjacent to the TSFs to divert calculated flows from the adjacent catchments.
- Option 2 – Construction of an entirely new network of surface water channels designed to pass the cumulative flow from all catchments. All surface water diversions, will be constructed on the surface and the river diversion channel will be decommissioned at closure.

SRK has made the following observations associated with the conceptual options described above:

- Option 2 represents the lowest risk option to the project at closure. This alternative does not rely on use of the underground river diversion section, which passes beneath the stored tailings in some sections of the tunnel. The long-term safety of this underground tunnel (i.e. into perpetuity) cannot be guaranteed.
- Option 2 relies upon a series of surface diversion channels to convey flows at closure. Whilst these structures will also have failure modes over the long term (such as blockage due to rockfalls, silting up etc.), construction of channels in competent in-situ material is considered lower risk than the system being wholly reliant upon an already ageing river diversion tunnel.
- Option 1 requires additional engineering work to prove that use of the existing underground river diversion is feasible.

SRK notes that neither of the scenarios above have been sized to accommodate PMF conditions, which is considered best practice for this dam consequence category. Other assumptions and limitations of the proposed closure approach and the associated cost estimate are provided in the CCP report. The report also includes a risk assessment and recommendations to enable the plan to be refined and the accuracy of the cost estimate to be improved.

In accordance with the assumptions listed in the report, the CCP gives a total direct closure cost for the project (considering both surface water diversion options) as shown in Table 9-2. It includes add-ons such as monitoring, engineering, design, and construction costs. The report notes a ±50% accuracy due to the conceptual stage of design.

Table 9-2: SASA Mine Closure Cost Summary

Closure Item	Option 1 Cost (EURm)	Option 2 Cost (EURm)
Plant and Surface Infrastructure Demolition	1.71	1.71
Tailings Cover Installation	2.03	2.03
Surface Water Diversion Features	6.92	19.84
Closure of Mine Portal	0.26	0.26
Adit and Tunnel Plugging and Grouting	0.19	0.29
WRD XVIa Removal and Rehabilitation	0.52	0.52
Passive Water Treatment Pond System	0.98	0.98
Post Closure Monitoring	1.15	1.15
Total Base Case Closure Cost	**13.77**	**26.79**

SRK understands the current financial model includes provisions for improvements to environmental performance, including progressive reclamation. In addition to the technical considerations highlighted in the CCP report, other aspects that need to be considered in future iterations of the closure plan include:

- Clarification of the long term end land use of affected areas, which would need to be agreed with regulatory authorities and local communities. This would influence the extent of demolition of infrastructure required and how final restoration of TSF may need to be managed.
- Agreement with regulatory authorities and other stakeholders on environmental water quality objectives for surface and groundwaters downstream/gradient of the site, against which the effectiveness of closure measures could be evaluated.
- Requirements for social closure.

SRK notes the ongoing work of the ESAP and implementation of any recommendations provided in the conceptual closure plan will need to be completed and assessed before an accurate closure cost can be finalised; however, this confidence can be gained during the ongoing operations to ensure successful closure can be achieved.

10 OCCUPATIONAL HEALTH AND SAFETY

10.1 Introduction

This section includes discussion and comment on the occupational health and safety related aspects associated with SASA Mine.

In late 2015, Lynx Resources took management of the SASA Mine and has committed to continually reduce the number and severity of injuries and harm to health. This commitment is in the process of being implemented through a Health & Safety Strategy (the "Safety Strategy") and Strategy Implementation Plan ("SIP") which was developed through a structured review, gap assessment and strategy development process with on-going support from Australian based consultant, Trivett Risk Management ("TRM").

TRM was first engaged by the SASA Mine in 2014 as an associate to SRK for a safety review, where a number of improvement opportunities were identified and recommended. A new General Director was appointed at the SASA Mine in 2017, who will continue to focus on safety. His predecessor, who was appointed in 2014, introduced systems to track compliance and reinforce appropriate disciplinary action on individuals for safety infractions. Since 2014 the number of Lost Time Injuries has reduced significantly and there have been no fatalities.

The mine health and safety regulatory environment in Macedonia comprises a number of statutes, governed through various state departments; the mine reports that it is fully committed to and provides for compliance with all requirements in law. An integrated health, safety and environment system at the mine, based on OHSAS 18001:2007, ISO 9001:2015, ISO 14001:2015, is audited annually by external parties; accreditation is maintained.

Supplementing these compliance and systems approaches, the Safety Strategy also includes a range of continual improvement initiatives drawing on established and internationally recognized good practice.

10.2 Legislation

Occupational health and safety requirements in Macedonia are enacted through a combination of some 75 Laws, Rulebooks, Decrees and Decisions and governed through various regulatory bodies. The mine maintains a register of statutory requirements; these are summarised in Appendix B.

The large number of Rulebooks (42) and Decrees (2), setting out specific methods and means for performing work, illustrates the primarily compliance-based approach adopted by Macedonian regulators. Contemporary health and safety governance in jurisdictions outside of Macedonia places more obligations on the operator to ensure appropriate hazard identification, risk assessment and control. In many cases, those jurisdictions then also provide general guidance on approaches and techniques.

Whilst not diminishing its statutory compliance responsibilities, SASA Mine is systematically improving hazard management capabilities through the implementation of risk-based approaches wherever appropriate.

10.3 Health & Safety Performance

As a measure of safety performance, the Lost Time Injury Frequency Rate (“LTIFR”) for SASA Mine is compared to three operating underground metalliferous mines in the European region, with similar scale and mining methods and where benchmarking data is readily available; namely Chelopech mine (Bulgaria, Dundee Precious Metals), Olympias mine (Greece, El Dorado) and Tara mine (Ireland, Boliden). Source data is obtained from the published Annual and/or Global Reporting Initiative reports from these companies. The definition of Lost Time Injury at SASA Mine is consistent with that at the comparison mines.

Figure 10-1 shows that the SASA Mine has achieved a significant improvement in LTIFR since 2014. In 2013, the SASA Mine recorded a higher LTIFR than the benchmark operations. Performance for the period 2014 onwards is equitable with or better than those benchmarks.

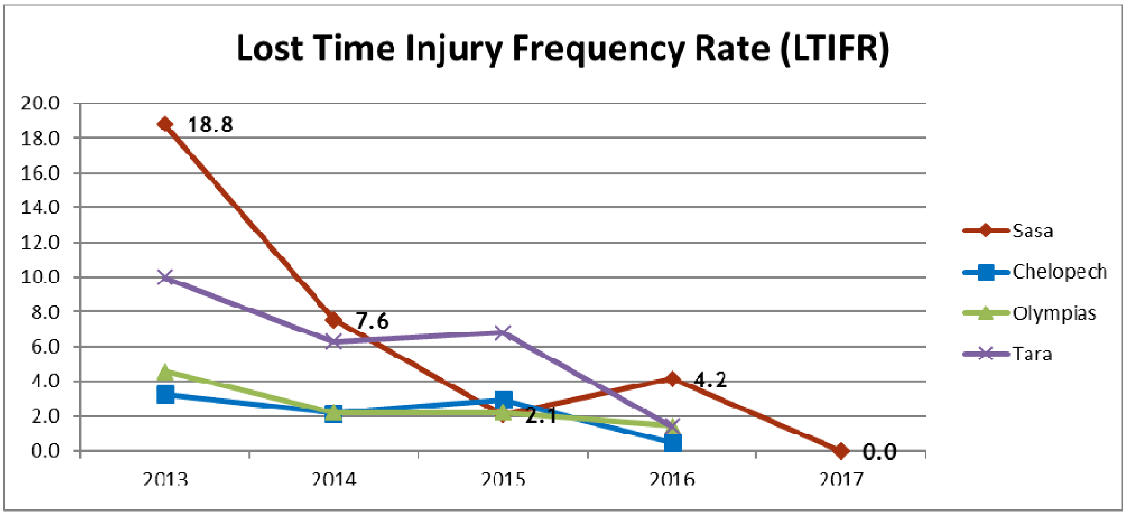


Figure 10-1: Lost Time Injury Frequency Rate

Table 10-1 lists the number of Fatal and Lost Time Injuries incurred at SASA Mine since 2013.

Table 10-1: SASA Mine Fatal and Lost Time Injuries per year

Year	Fatal Injuries	Lost Time Injuries
2013	2	27
2014	0	11
2015	0	3
2016	0	6
H1 2017	0	0

Following a period of closure, the mine was acquired by Solway in 2005; new mining and milling equipment was installed and the mine ramped-up to its current production levels. During the period of operation between 2007-2013, the mine experienced poor safety performance with a high number of Lost Time Injuries and a number of fatalities. In 2014 a number of changes were introduced to improve the safety focus at the mine, including commissioning a safety improvement study, replacing the General Director, and introducing systems to track compliance and reinforce appropriate disciplinary action on individuals for safety infractions, which appear to have driven an improvement in safety performance in 2014 and 2015.

In 2015 the SASA Mine was acquired by Lynx Resources, and safety was further reinforced as the highest priority of the business, with a focus on raising safety awareness, changing attitudes and risk behaviours to create a safety culture, and systematically eliminating risks that can cause injuries via the Safety Strategy programme. Health and Safety performance and progress on the implementation of the 23 initiatives within the Safety Strategy are frequently reviewed. The positive safety performance has continued in 2016 and 2017 year to date, with only a limited number of minor lost time injuries in 2016.

10.4 Safety Performance Tracking

The mine tracks both Leading and Lagging Indicators of safety performance; these are reported and monitored monthly by Management and the owners. Any injury or high potential incidents are immediately reported and investigated.

The primary Lagging indicators of injury or harm (Fatal, Lost Time and Recordable cases) are defined in accordance with guidelines in the 2014 Health and Safety Performance Indicators report of the International Council on Mining & Minerals.

SASA Mine has also established a number of Leading Indicators of safety performance which are designed to track the identified pro-active management and supervisory requirements of the SIP, and are reviewed monthly with Management. The key Leading Indicators in place include:

- Tracking of Safety related disciplinary actions/trends;
- Daily Blood/Alcohol level monitoring (by breathalyser);
- Attendance of Hazard ID Training by all employees and contractors.
- Planned Task Observations (“PTOs”) completed vs plan;
- High Potential Hazard Investigations (“HPHIs”) completed vs plan;
- Re-training of “At-Risk” workers identified during PTOs; and
- Close-out of corrective actions from Incident investigations, HPHI’s and other non-compliance observations.

10.5 Overview of the Safety Strategy

The objectives of the Safety Strategy are to enable the following:

1. To continually improve the identification and management of Occupational Health & Safety (“OHS”) hazards at the operations.
2. To continually reduce the number and severity of injuries and harm to health.
3. To prevent fatalities.
4. To apply and improve integrated management systems based on ISO 9001:2015, ISO 14001:2015, and OHSAS 18001:2007.
5. To align with the Environmental Health and Safety (“EHS”) General Guidelines and the EHS Guidelines (Mining) of the IFC / World Bank Group as referenced in Equator Principles, June 2013.
6. To comply with Macedonian EHS related legislation.
7. To meet all other commitments in the SASA Quality, Environment and Health and Safety Policy.

The Safety Improvement Plan of the SASA Mine Safety Strategy comprises 23 initiatives grouped within seven Strategy Elements; these are listed and described in Appendix C.

Each initiative is assigned an ‘owner’ from within the mine’s senior management team; a formal implementation plan addressing activity planning, resource requirements, schedules and integration requirements is in place for each initiative.

11 PRODUCTION SCHEDULE AND SALES

11.1 RoM Production Schedule

The LoMp runs up to 2037 (minor production during 2038 is considered negligible and has been excluded in the financial model) and includes production from the main Svinja Reka deposit (Indicated and Inferred Mineral Resource material) and from the Golema Reka deposit (Inferred Mineral Resource only) (Figure 11-1). For the purposes of Ore Reserve reporting, only the production supported by the Indicated Mineral Resource material from the Svinja Reka area is considered. SRK expects the zinc recovery to decline as a result of the decline in zinc grade as mining moves into the Inferred portion of Svinja Reka and then into Golema Reka.

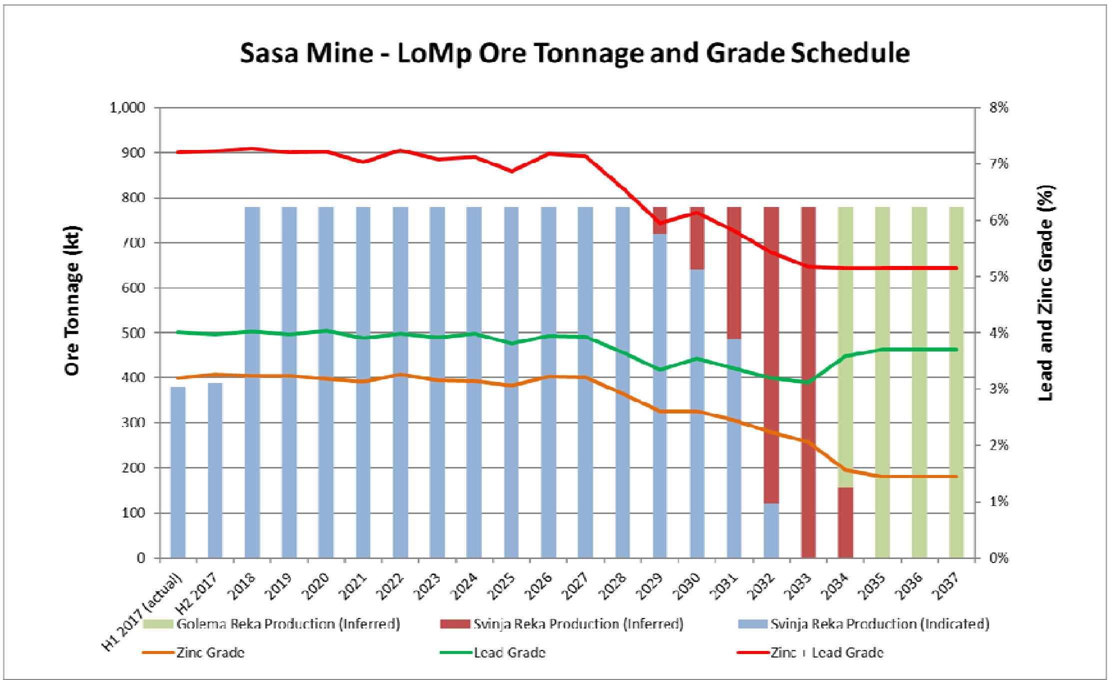


Figure 11-1: LoMp Ore Tonnage and Grade Schedule

11.2 Off-Takers

11.2.1 Off-Take Agreements

Under the previous mine owner, the zinc and lead concentrates produced by the mine were sold to a Russian trading Company (Solway Commodities). This trading company sold both concentrates to a local European smelter by truck.

Following its acquisition of the SASA Mine at the end of 2015, Lynx Resources conducted competitive global tenders for concentrates in 2016 and 2017, culminating in a significant improvement in terms for 2017 volumes (see Payment Terms in Section 11.2.2 below).

11.2.2 Payment Terms

Payability

The payability terms are market standard, namely:

- Pb in lead concentrate, the lesser of 95% or a unit deduction of 3%. At a lead in concentrate grade of 73%, a 95% payability is applicable;

- Ag in lead concentrate: the lesser of 95% or a unit deduction of 1.6 oz/t. The silver grade ranges between 285 g/t to 320 g/t;
- Zn in zinc concentrate: the lesser of 85% or a unit deduction of 8%. At the zinc in concentrate grade of 49.3%, the payability results in 83.8%; and
- the silver content in the zinc concentrate is below payability thresholds, and is therefore not modelled.

Treatment Charges

The concentrate treatment charges applied for 2017 are:

- Pb concentrate, USD130/t, with an escalator of USD10 for every USD100 of lead price above USD2,200/t and a further USD5 for every USD100 of lead price above USD2,500/t;
- for 75% of Zn concentrates, sold to Customer 1, USD110/t in 2017, with an escalator of USD10 for every USD100 of lead price above USD2,600/t and a further USD5 for every USD100 of lead price above USD 2,800/t; and
- for 25% of Zn concentrates, sold to Customer 2, USD97/t in 2017, with no escalators.

Going forward, based on market intelligence and Lynx Resources' contacts with potential customers, the Financial Model assumes USD100/t for zinc and lead concentrates, with no escalators based on changes in commodity prices. As the Financial Model results (Section 13) are reported in nominal terms, inflation to the treatment charges going forward has been applied.

Freight

The freight costs are:

- Pb concentrates EUR17.5/wmt;
- Zn concentrates to Customer 1, EUR17.5/wmt; and
- no freight for Zn concentrates to Customer 2, as the customer buys concentrates at the mine gate.

In the Financial Model, the freight for Zn concentrates is modelled as a weighted average rate between Customer 1 and Customer 2.

The Financial Model does apply inflation to the freight costs going forward, in line with the nominal terms of the model.

12 CAPITAL AND OPERATING COSTS

12.1 Introduction

The Capital and Operating cost estimates for the SASA Mine have been determined by Lynx Resources based on recent historical performance and the current 2017 budget for the mine.

The currency used for reporting at the mine is the Euro ("EUR"); however, the economic assessment has been undertaken in United States Dollars ("USD"), with a constant exchange rate of 1.09 USD/EUR applied over the LoM.

All amounts stated in this section are in real 2017 money terms, with inflation applied in the Financial Model.

12.2 Capital Cost Estimate

12.2.1 Historical Investment

Lynx Resources has continued its sustaining capital investment over the past years. This has primarily consisted of maintaining the existing facilities to maintain the historical production rate, including replacing mobile equipment, undertaking overhauls of fixed plant, expanding the tailings storage capacity, upgrading various plant (including expanding the flotation plant) and slurry pipeline, improving automation, and undertaking ongoing underground exploration drilling and geological investigation. Figure 12-1 provides a summary of the 3.5 years of capital investment from 2014 to H1 2017 alongside the subsequent .5 years of forecast investment. The USD to EUR exchange rate as applied in the economic assessment is as shown in Table 12-1.

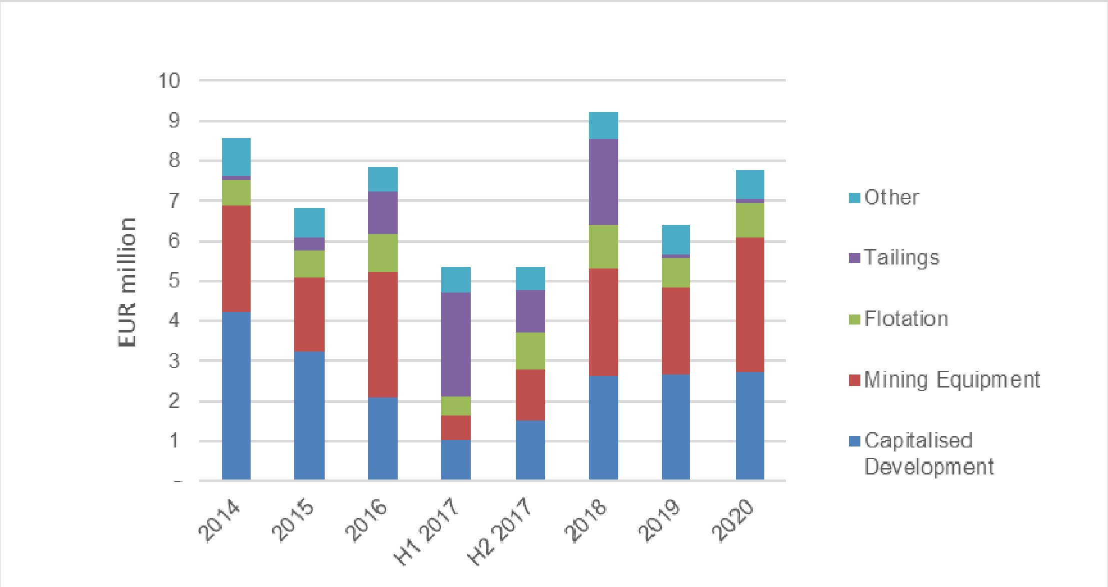


Figure 12-1: Historical vs Forecast Capital Costs (forecast in real money terms)

Table 12-1: Exchange Rates (EUR:USD)

	2014	2015	2016	H1 2017	H2 2017 onwards
USD/EUR	1.33	1.11	1.11	1.09	1.09

12.2.2 Planned Investment

SASA Mine has provided a summary of planned investment on an annual basis for the LoMp. This is presented graphically in Figure 12-2 and in Table 12-2, in real 2017 money terms.

Whilst capital expenditures are relatively stable, the cost of TSFs are more project based as new TSFs and associated infrastructure are constructed, notably historically during 2016 and H1 2017, and going forward during H2 2017 and 2018 (TSF 4), then assumed in 2025/2026 (TSF 5) and finally in 2033/2034 (TSF 6).

The LoMp capital is roughly attributed one third to ongoing underground development, and one third to mining equipment; mining therefore accounts for some two thirds of the capital costs. Processing and tailings costs are comparatively less, although significant.

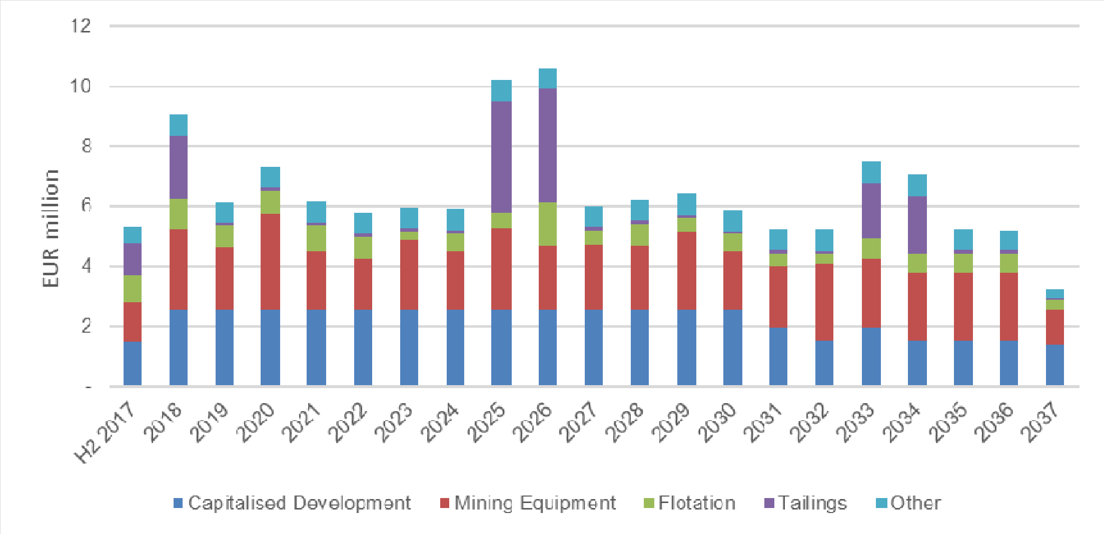


Figure 12-2: LoMp Planned Investment (Real money terms)

Table 12-2: Summary LoMp Planned Investment (Real money terms)

(EURm)	H2 2017	2018	2019	2020	2021	2022	2023-2027	2028-2037	LoMp
Capitalised Development	1.5	2.6	2.6	2.6	2.6	2.6	12.8	19.0	46.0
Mining Equipment	1.3	2.7	2.1	3.2	2.0	1.7	11.3	21.6	45.8
Flotation	0.9	1.0	0.7	0.8	0.8	0.7	3.3	5.5	13.9
Tailings	1.0	2.1	0.1	0.1	0.1	0.1	7.8	4.5	15.8
Other	0.6	0.7	0.7	0.7	0.7	0.7	3.5	6.6	14.2
Total	5.3	9.1	6.1	7.3	6.2	5.8	38.7	57.2	135.7

12.2.3 SRK Observations

SRK has reviewed the capital cost forecasts, and finds that these are sufficient to support the LoM production plan. No contingencies have been added to the capital expenditure forecast due to the nature of steady state production.

12.3 Operating Cost Estimate

12.3.1 Historical operating costs

The historical operating costs for the last 3.5 years are presented in Figure 12-3, split for mining, processing (milling) and administration (G&A). Forecast cost for the next 3.5 years are included for comparison.

The total costs as well as the unit costs fluctuate very little due to the steady state nature of the operations. In addition to the operating costs shown in Figure 12-3, a compensation for exploitation of the minerals (Concession Fee) is payable, which amounts to 2% of the market value of the metals contained in both concentrates produced.

Historical operating costs are further detailed in Table 12-3. This illustrates the relatively constant operating costs in EUR, and the strengthening USD through 2015–H1 2017. Table 12-3 does include the Concession Fee as paid as part of the G&A cost. SRK understands that during 2016, a total of EUR934k was spent on one-off projects related to, amongst others, geological investigations for an updated Mineral Resource Estimate, ESAP development and refinancing. Without these non-recurring costs, the underlying unit cost for 2016 for mining, milling and G&A costs would drop from EUR30.6/t to EUR29.4/t, in line with historical performance.

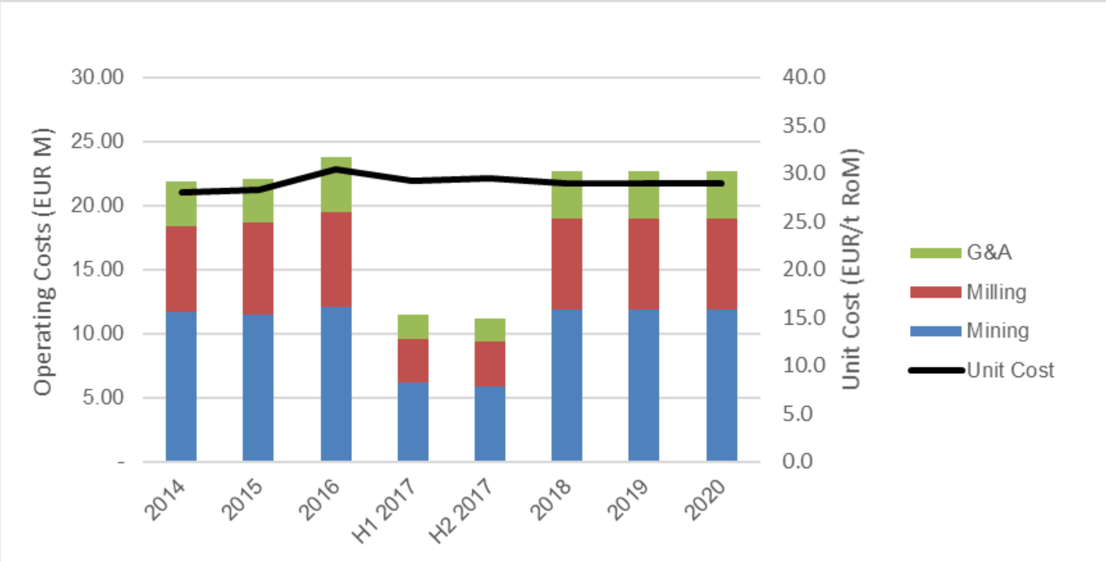


Figure 12-3: Historical vs Forecast Operating Costs (forecast in real money terms)

Table 12-3: Historical Operating Cost Breakdown

	2014 (EURk)	2015 (EURk)	2016 (EURk)	H1 2017 (EURk)	2014 (USDk)	2015 (USDk)	2016 (USDk)	H1 2017 (USDk)
Mining								
Consumables	6,250	5,901	5,967	2,848	8,303	6,552	6,603	3,105
Services	1,782	1,826	2,119	1,177	2,368	2,028	2,345	1,284
Salaries	3,660	3,703	3,961	2,138	4,863	4,111	4,384	2,331
Total	**11,692**	**11,431**	**12,047**	**6,163**	**15,533**	**12,691**	**13,331**	**6,720**
Processing								
Consumables	5,300	5,747	5,825	2,665	7,041	6,380	6,446	2,906
Services	325	422	487	186	432	468	539	203
Salaries	1,074	1,063	1,099	587	1,427	1,180	1,216	640
Total	**6,699**	**7,232**	**7,411**	**3,439**	**8,899**	**8,029**	**8,201**	**3,750**
G&A								
Consumables	173	194	312	99	230	216	345	107
Services	743	750	832	419	987	832	920	457
Salaries	737	779	771	423	979	865	854	461
Other	1,848	1,689	2,443	880	2,455	1,875	2,704	960
Total	**3,501**	**3,412**	**4,358**	**1,821**	**4,651**	**3,789**	**4,822**	**1,985**
Concession Fees								
Total	1,908	1,938	1,989	1,255	2,535	2,152	2,201	1,368
Operating Cost								
Total	**23,800**	**24,013**	**25,805**	**12,677**	**31,618**	**26,661**	**28.556**	**13,824**
RoM (t)	780,285	777,121	779,231	391,043	780,285	777,121	779,231	391,043
Unit Costs per tonne of RoM								
Mining	15.0	14.7	15.5	15.8	19.9	16.3	17.1	17.2
Processing	8.6	9.3	9.5	8.8	11.4	10.3	10.5	9.6
G&A	4.5	4.4	5.6	4.7	6.0	4.9	6.2	5.1
Concession	2.4	2.5	2.6	3.2	3.2	2.8	2.8	3.5
Total	30.5	30.9	33.1	32.4	40.5	34.3	36.6	35.4
Total (excl Concession)	28.1	28.4	30.6	29.2	37.3	31.5	33.8	31.9

12.3.2 Forecast operating costs

The operating costs have been forecast for the LoMp.

There are no operational changes within the mining or processing operations that are expected to result in materially fluctuating operating costs until 2034, whilst mining is solely from the Svinja Reka deposit. Thereafter, there is an increase in the mining costs assumed as a result of mining the Golema Reka deposit and an assumed change to a cut and fill mining method. The variable mining cost at this time increases from EUR7/t to EUR12/t (in addition to the annual fixed mining cost of EUR6.38m) (real 2017 money terms).

The operating cost of tailings disposal is included within the processing costs. A mine closure cost of USD15m has been allowed for in line with the Option 1 as shown in Table 9-2. Figure 12-4 graphically presents a breakdown of the operating costs during the LoMp in real 2017 money terms; detailed values are presented in Table 12-4, both presented in Euros. The Concession Fee is added in the financial model separately, as related to metal price assumptions. Option 1 for site closure has been incorporated in the financial assessment.

Figure 12-4: Graphical Distribution of LoM Operating Costs (Real money terms)

Table 12-4: LoM Operating Costs (Real money terms)

	H2 2017	2018	2019	2020	2021	2022	2023-2027	2028-2037	2038	LoM
Operating Costs (EURm)										
Mining	5.9	11.9	11.9	11.9	11.9	11.9	59.4	134.3	-	258.9
Milling	3.5	7.2	7.2	7.2	7.2	7.2	36.0	70.7	-	144.8
G&A	1.8	3.6	3.6	3.6	3.6	3.6	17.9	36.9	-	75.7
Mine Closure	-	-	-	-	-	-	-	-	13.8	13.8
Total	11.2	22.6	22.6	22.6	22.6	22.6	113.2	241.9	13.8	493.2
Unit Operating Costs (EUR/t RoM)										
Mining	15.5	15.2	15.2	15.2	15.2	15.2	15.2	17.2	-	16.2
Milling	9.1	9.2	9.2	9.2	9.2	9.2	9.2	9.1	-	9.1
G&A	4.9	4.6	4.6	4.6	4.6	4.6	4.6	4.7	-	4.7
Mine Closure	-	-	-	-	-	-	-	-	-	0.9
Total	29.5	29.0	29.0	29.0	29.0	29.0	29.0	31.0	-	30.9

12.3.3 SRK Observations

SRK has reviewed and compared the costs from 2014 to H1 2017 with the forecast costs. Some variance can be seen from year to year. SRK is satisfied that the forecast unit and fixed annual costs applied are reasonable.

No contingencies have been added to the operating cost forecast due to the nature of steady state production.

13 PROJECT ECONOMICS

13.1 Introduction

SRK has prepared a financial model to evaluate the economics of:

- the Ore Reserves and
- the LoMp (including Inferred material).

Reporting at the mine is in EUR; however, the economic assessment has been carried out in USD. A constant exchange rate of 1.09 USD/EUR has been applied over the LoM.

The financial model has been prepared in Microsoft Excel, in USD, in nominal money terms assuming a 2% annual inflation for both the EUR and USD denominated costs.

A discounted cash flow has been prepared, on a post-tax basis. No financing terms are modelled except for the silver streaming agreement, which forms the basis of the reduced silver price included in the financial model.

SRK has applied consensus market forecast prices (see Table 13-1).

13.2 Key Inputs and Assumptions

13.2.1 Commodity Prices

SRK has applied consensus market forecast prices for lead and zinc, sourced from Bloomberg as at 19 July 2017. The prices applied are the median of the forecasts of a range of analysts as compiled by Bloomberg. The silver price actually used in the financial model is as per the long-term streaming agreement, for the LoM. The streaming agreement included a price of USD5.0/oz of refined silver for the period up to 31 December 2016. In respect of each subsequent calendar year of the agreement, the fixed silver price in respect of the immediately preceding calendar year increased by a percentage equal to the lesser of inflation over the previous calendar year measured by the CPI Index and 3%. The financial model assumes a slightly more conservative approach, with the silver price only increasing after 2021 by the flat inflation of 2% per annum. The consensus market forecast silver price is only used to calculate the concession fee. The commodity prices are presented in Table 13-1.

The payability terms and TC/RCs as described in Section 11.2 have been applied.

Table 13-1: Bloomberg Consensus Commodity Prices (nominal)

	Units	Spot (19 July 2017)	2017	2018	2019	2020	2021
Zinc	(USD/t)	2,747	2,665	2,622	2,450	2,398	2,508
Lead	(USD/t)	2,217	2,205	2,150	2,200	2,250	2,300
Silver (CMF)	(USD/oz)	16.3	17.4	18.2	19.3	20.0	20.0
Silver (streaming agreement)	(USD/oz)		5.00	5.00	5.00	5.00	5.00

13.2.2 Taxes and Concession Fees

Corporate Income Tax

SRK has modelled corporate income tax payments, based on a 10% tax rate. Since every year is cash flow positive, there are no taxes losses to be brought forward in any year.

Depreciation is modelled applying a simple 10% reducing method. An opening depreciation balance of EUR47m as of 1 July 2017 is included.

Concession Fee

The compensation for exploitation of the minerals (Concession Fee) amounts to:

- 2% of the market value of the metal of lead per tonne in each tonne of lead concentrate produced.
- 2% of the market value of the metal of zinc per tonne in each tonne of zinc concentrate produced.

The grounds for calculation of the compensation for exploitation of the minerals that the concessionaire is obliged to pay for the produced quantities of minerals is the Official Report on the average price of metals on the London Metal Stock Exchange for the period of 3 (three) months backwards (market value). Based on the Official Report on the average price of metals, the Ministry of Economy quarterly publishes the average price of the metals in the Official Gazette of the Republic of Macedonia.

13.2.3 Working Capital and Value Added Tax

Working capital has been modelled on a simple basis, taking the opening balance at 01 July 2017 into account.

Value Added Tax has not been modelled. The financial model assumes that the VAT is paid and recovered within the same year.

13.3 Revenue

The revenues of the lead and zinc concentrates during the years of production for the Ore Reserves and LoMp cases are presented in Figure 13-1 and Figure 13-2, respectively. The lead and zinc grades are included in the graphs, showing the direct relationship between grade and revenue.

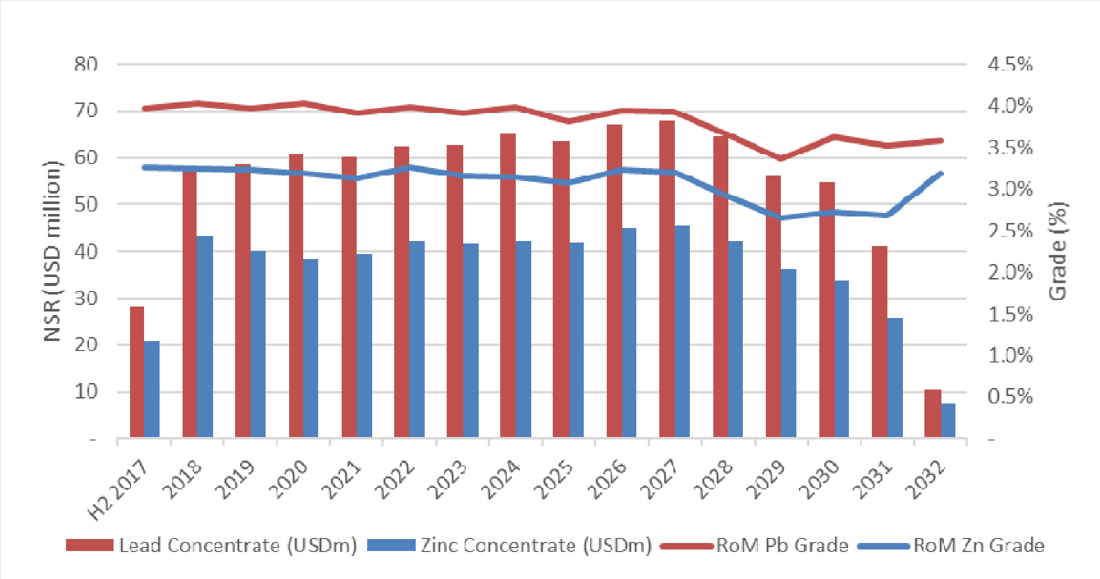


Figure 13-1: Ore Reserve Case Net Smelter Return (nominal)

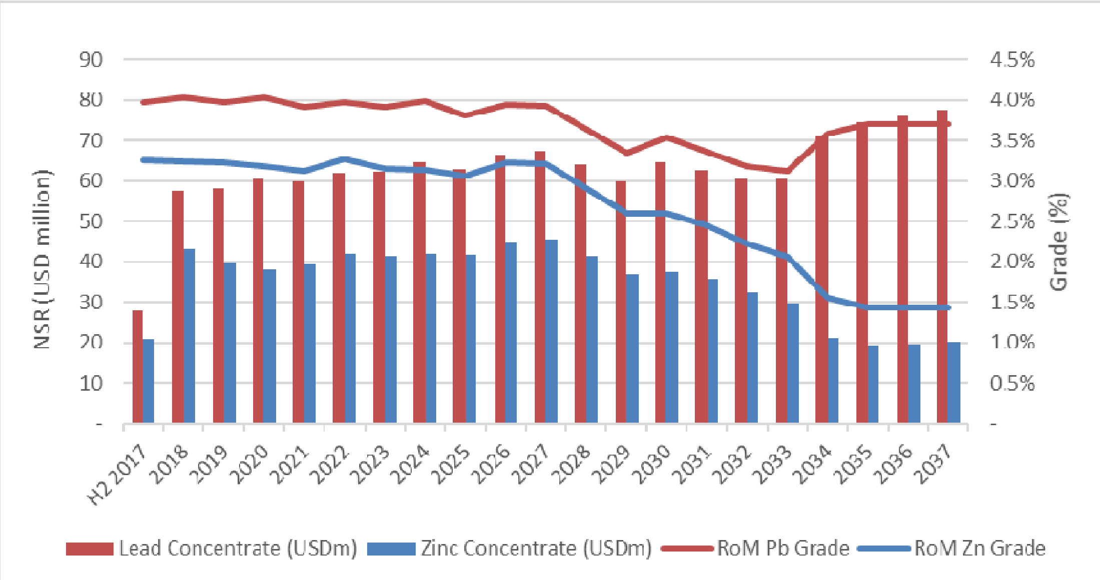


Figure 13-2: LoMp Net Smelter Return (nominal)

13.4 Cash Flow Model

SRK's economic assessment presents a solid economic case, with a low risk of any production being cashflow negative.

Table 13-2 presents the overall inputs and outputs of the financial in USD for:

- The LoMp case; and
- The Ore Reserve case.

Net present values ("NPVs") are presented for different discount rates. The NPVs are a measure of economic viability of the operations. They do not constitute a project valuation. SRK notes that the LoMp case includes a proportion of Inferred Mineral Resources, to be mined from 2028 onwards. At the base discount rate of 10%, the LoMp case reports an NPV of USD461m, and the Ore Reserve reports an NPV of USD413m.

Table 13-2: Summary of the Cash Flow Model Assessment (Nominal)

	Unit	LoMp	Ore Reserve
Economic Output			
Revenue	(USDm)	2,056	1,467
Operating Costs	(USDm)	724	466
EBITDA	(USDm)	1,333	1,001
Capital Costs	(USDm)	180	127
Non-cash items (due to Ag streaming)	(USDm)	20	20
Working Capital	(USDm)	5	5
Corporate Income Tax	(USDm)	114	85
Net Free Cash (undiscounted)	(USDm)	1,024	773
NPV, discount rate:			
6.0%	(USDm)	610	518
8.0%	(USDm)	527	461
10.0%	**(USDm)**	**461**	**413**
12.0%	(USDm)	408	372
14.0%	(USDm)	364	337
16.0%	(USDm)	327	308
Net Smelter Return (Revenue)			
Pb Concentrate	(USDm)	1,418	937
Zn Concentrate	(USDm)	748	596
Treatment Charges			
Pb Concentrate	(USDm)	95	63
Zn Concentrate	(USDm)	87	69
Mining			
Tonnage	(kt)	15,979	10,927
Pb Grade	(%)	2.65%	3.08%
Zn Grade	(%)	3.73%	3.85%
Processing			
Tonnage	(kt)	15,979	10,927
Pb Grade	(%)	2.65%	3.08%
Zn Grade	(%)	3.73%	3.85%
Recovery			
Pb	(%)	94.0%	94.0%
Zn	(%)	84.5%	87.4%
Concentrate			
Pb Concentrate	(kt conc)	767	542
Pb Content	(kt metal)	560	395
Zn Concentrate	(kt conc)	725	598
Zn Content	(kt metal)	357	295
Operating Costs			
Mining	(USDm)	352	214
Processing	(USDm)	195	126
G&A	(USDm)	102	68
Mine Closure	(USDm)	23	21
Concession	(USDm)	53	38
Total	(USDm)	724	466
Capital Costs			
Capitalised Development	(USDm)	61	46
Mining Equipment	(USDm)	61	42
Flotation	(USDm)	18	13
Tailings	(USDm)	21	12
Other	(USDm)	19	13
Total	(USDm)	180	127

13.5 Sensitivity Analysis

SRK has considered the potential areas of risk to the project and has accordingly run sensitivities on the NPV. For this purpose, SRK has assumed a discount rate of 10% for the runs.

SRK has tested the NPV sensitivity to operating, capital costs, and commodity prices. This is illustrated in Table 13-3 for the LoMp case, and in Table 13-4 for the Ore Reserve case. A sensitivity to the discount rate is already included under Table 13-2.

Table 13-3: Sensitivity Tables, LoMp Case (NPV 10% discount rate, nominal)

Capital Cost							
Sensitivity	-5%	**0%**	5%	10%	15%	20%	25%
NPV (USDm)	465	**461**	458	454	451	447	444
Operating Cost							
Sensitivity	-5%	**0%**	5%	10%	15%	20%	25%
NPV (USDm)	472	**461**	450	439	428	417	405
Commodity Prices							
Sensitivity	-15%	-10%	-5%	**0%**	5%	10%	15%
NPV (USDm)	338	379	420	**461**	503	544	585

Table 13-4: Sensitivity Tables, Ore Reserve Case (NPV 10% discount rate, nominal)

Capital Cost							
Sensitivity	-5%	**0%**	5%	10%	15%	20%	25%
NPV (USDm)	416	**413**	410	407	403	400	397
Operating Cost							
Sensitivity	-5%	**0%**	5%	10%	15%	20%	25%
NPV (USDm)	422	**413**	403	394	385	376	367
Commodity Prices							
Sensitivity	-15%	-10%	-5%	**0%**	5%	10%	15%
NPV (USDm)	305	341	377	**413**	449	485	521

13.6 Conclusion

SRK has prepared a financial model to test the economic viability of the Ore Reserve and the LoMp case. SRK has considered the technical and cost parameters, including commodity prices, off-take commitments, working capital and corporate income tax. SRK has not considered the cost of any outstanding debt or other financial structure repayment commitment.

Due to the positive outcome of the assessment on the Ore Reserve scenario, SRK considers sign off on the Ore Reserves to be warranted.

14 MINERAL RESOURCE AND ORE RESERVE STATEMENT

The Ore Reserve estimate for the SASA Mine has been undertaken in accordance with the JORC Code (2012) guidelines and is stated in Table 14-1 as at 01 July 2017. The Ore Reserves are classified as Probable based on the current Mineral Resource classification of Indicated.

In line with reporting an Ore Reserve under the JORC Code (2012), SRK has prepared a financial model to test the economic viability of the Ore Reserve case, taking into account the various technical, operating cost, capital expenditure and corporate income tax parameters (excluding any debt of financing structures). The assessment demonstrates that the Ore Reserve is economically viable, with robust economics that remain positive when tested against appropriate increases in operating and capital costs, and changes in commodity prices.

The JORC Code Table 1 is provided in Appendix A. Mineral Resources are reported inclusive of that material used to derive the Ore Reserves.

Table 14-1: Statement of Mineral Resources and Ore Reserves for the SASA Mine at 01 July 2017

Category	Gross							Net Attributable							Operator
	Tonnage	Grade			Content			Tonnage	Grade			Content			
	(Mt)	Pb (%)	Zn (%)	Ag (g/t)	Pb (kt)	Zn (kt)	Ag (koz)	(Mt)	Pb (%)	Zn (%)	Ag (g/t)	Pb (kt)	Zn (kt)	Ag (koz)	
Ore Reserves															
Proved															
Svinja Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Golema Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal Proved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Probable															
Svinja Reka	10.9	3.85	3.08	18.4	421	337	6,447	10.9	3.85	3.08	18.4	421	337	6,447	
Golema Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal Probable	10.9	3.85	3.08	18.4	421	337	6,447	10.9	3.85	3.08	18.4	421	337	6,447	
Total Reserves	**10.9**	**3.85**	**3.08**	**18.4**	**421**	**337**	**6,447**	**10.9**	**3.85**	**3.08**	**18.4**	**421**	**337**	**6,447**	Rudnik "SASA" DOOEL
Mineral Resources															
Measured															
Svinja Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Golema Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal Measured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Indicated															
Svinja Reka	13.3	4.59	3.68	22.0	611	490	9,403	13.3	4.59	3.68	22.0	611	490	9,403	
Golema Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal Indicated	13.3	4.59	3.68	22.0	611	490	9,403	13.3	4.59	3.68	22.0	611	490	9,403	
Inferred															
Svinja Reka	2.7	3.16	2.08	16.6	84	56	1,426	2.7	3.16	2.08	16.6	84	56	1,426	
Golema Reka	7.4	3.69	1.52	18.6	273	112	4,424	7.4	3.69	1.52	18.6	273	112	4,424	
Subtotal Inferred	10.1	3.55	1.67	18.1	357	168	5,849	10.1	3.55	1.67	18.1	357	168	5,849	
Total Resources	**23.4**	**4.14**	**2.81**	**20.3**	**968**	**658**	**15,252**	**23.4**	**4.14**	**2.81**	**20.3**	**968**	**658**	**15,252**	Rudnik "SASA" DOOEL

Source: CP Mineral Resources – Guy Dishaw, CP Ore Reserves - Chris Bray

For and on behalf of SRK Consulting (UK) Limited

Guy Dishaw,
Principal Consultant (Resource Geology),
Competent Person Mineral Resources
SRK Consulting (UK) Limited

Chris Bray,
Principal Consultant (Mining),
Competent Person Ore Reserves
SRK Consulting (UK) Limited

Richard Oldcorn,
Corporate Consultant (Due Diligence),
Project Manager
SRK Consulting (UK) Limited

Dr Iestyn Humphreys,
Corporate Consultant (Due Diligence),
Project Director
SRK Consulting (UK) Limited

References

The following references have been used in completing the CPR for the SASA Mine by SRK:

- Base Metallurgical Laboratories Ltd reports: BL0160 “Metallurgical Testing of Sasa Ore”, December 23, 2016; BL0077 “Mineralogical Assessment of the Sasa Lead Zinc Concentrator February 2016”, May 12, 2016 and BL0098 “Metallurgical Testing of Sasa Ore”, July 15, 2016.
- GEOENGINEERING-M DOOEL SKOPJE; English translation of the State Reserve estimate titled: Elaborat SASA 2015 -English translation TL.docx (April 2015).
- Golder Associates; Report 1655479.500/A.4 - Due Diligence of the SASA Tailings Storage Facilities, Macedonia (July 2016).
- Mineral Resource Advisors; JORC Code (2012) Mineral Resource Statement SASA Mine Lead Zinc Silver deposit, Makedonska Kamenika Municipality, Republic of Macedonia, Final Revision June 8, 2016.
- Mineralis Consulting PtyLtd. Comments On Sasa Zinc Regrinding Testwork, prepared for Lynx Resources; 07 February 2017, Peter Munro, Joe Pease.
- SRK Consulting (UK) Ltd; Mineral Resource Estimate on the SASA Mine Lead, Zinc and Silver Operation, Macedonia, October 2016; Filename: U6966 Sasa Mine MRE 2016_Final Report.pdf
- SRK Consulting (UK) Ltd; An Independent Technical Review and Ore Reserve Statement on the SASA Lead-Zinc Mine, Republic of Macedonia prepared for Rudnik SASA DOOEL (dated 21 June 2016); Filename: U6708_SASA ITR Final_160621 (includes all appendices).pdf
- SRK Consulting (UK) Ltd; A Geotechnical Review of the SASA Underground Mine, Macedonia - Part 1, 2 and 3 (May 2016).
- SRK Consulting (UK) Ltd (through Trivett Risk Management); Safety Review of the SASA Lead & Zinc Mine, Makedonska Kamenitsa, Macedonia (September 2014).
- SRK Consulting (UK) Ltd; Budget and Life of Mine Plan for the SASA Mine, Kamenica, Macedonia (2006).
- Strength D.; Review of RUDNIK SASA DOO with respect to Equator Principles III Submitted to: RUDNIK SASA DOOEL, Makedonska Kamenica (April 2016).
- Wardell Armstrong; SASA Lead and Zinc Mine Resource Modelling of the SASA Deposit, NE Macedonia (January 2012).

Glossary – Mineral Resources and Ore Reserves

Ore Reserves	The economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves. A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but is of sufficient quality to serve as the basis for a decision on the development of the deposit.
Proved Ore Reserves	The economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Proved Ore Reserve represents the highest confidence category of reserve estimate. The style of mineralisation or other factors could mean that Proved Ore Reserves are not achievable in some deposits.
Probable Ore Reserves	The economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but is of sufficient quality to serve as the basis for a decision on the development of the deposit.
Mineral Resource	A concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
Measured Mineral Resource	That part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes. The locations are spaced closely enough to confirm geological and grade continuity.
Indicated Mineral Resource	That part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill-holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

Inferred Mineral Resource

That part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes which may be limited or of uncertain quality and reliability.

Glossary - Terms

Company	Central Asia Metals PLC
Concentrate	A metal-rich product resulting from a mineral enrichment process such as gravity concentration or flotation, in which most of the desired mineral has been separated from the waste material in the ore.
Cut-off grade	The grade of mineralised rock which determines as to whether or not it is economic to recover its gold content by further concentration.
Decline	A surface or sub-surface excavation in the form of a tunnel which is developed from the uppermost point downwards.
Dilution	The contamination of ore with barren or grade bearing wall rock in stoping. The assay of the ore after mining is frequently lower than when sampled in place. The proportion of waste that is contained in the Run-of-Mine ore delivered to the metallurgical processing plant.
Dip	Inclination of geological features from the horizontal.
Facies	An assemblage or association of minerals reflecting the environment and conditions or origin of the rock.
Footwall	The mass of rock underlying the mineral deposit or reef or the underlying side of an orebody or stope.
Geophysics	Branch of physics dealing with the Earth, including its atmosphere and hydrosphere. It includes the use of seismic, gravitational, electrical, thermal, radiometric, and magnetic phenomena to elucidate processes of dynamical geology and physical geography, and makes use of geodesy, geology, seismology, meteorology, oceanography, magnetism, and other Earth sciences in collecting and interpreting Earth data. Geophysical methods have been applied successfully to the identification of underground structures in the Earth and to the search for structures of a particular type, as, for example, those associated with oil-bearing sands.
Hanging wall	The mass of rock overlying the mineral deposit or reef.
JORC Code (2012)	The 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia”
Kriging	An interpolation method of assigning values from samples to blocks that minimises the estimation error.
Mineral Assets	Lynx Resources’ assets subject to SRK's review.
Modifying Factors	The term ‘Modifying Factors’ is defined to include mining, metallurgical, economic, marketing, legal, environmental, social and governmental considerations.

SEC or “United States Securities and Exchange Commission”

The United States government agency having primary responsibility for enforcing US federal securities laws and regulating the US securities industry.

Stoping	The process of extracting the ore from an underground mine, leaving behind an open space known as a stope.
Strike	Direction of line formed by the intersection of strata surfaces with the horizontal plane, always perpendicular to the dip direction.

Tailings Storage Facility	An impoundment used to deposit tailings arising as waste from a metallurgical processing facility.

Abbreviations

2D	two dimensional
3D	three dimensional
Ag	Silver
ARDML	acid rock drainage and metal leaching
ASX	Australian Stock Exchange
CCP	Conceptual Closure Plan
CPR	Competent Persons' Report
CRIRSCO	Committee for Mineral Reserves International Reporting Standards
DPA 1998	Data Protection Act 1998 of the United Kingdom
EHS	Environmental Health and Safety
EIA	Environmental Impact Assessment
ESAP	Environmental and Social Action Plan
EUR	Euro
GIIP	good international industry practice
HPI	high potential incidents
HPHIs	High Potential Hazard Investigations
HV	High voltage
IPPC	Integrated Pollution Prevention and Control permit
ITR	Independent Technical Report
LoM	Life of Mine
LoMp	Life of Mine plan
LTIFR	Lost Time Injury Frequency Rate
LV	Low voltage
MCL	maximum allowable concentrations
MEPP	Ministry of Environment and Physical Planning
MRA	Mineral Resource Advisors
MRE	Mineral Resource Estimate
MRMR	Modified Rock Mass Rating
MTC	Ministry of Transport and Communication
NPV	Net Present Value
NSR	Net Smelter Return
Pb	Lead
PMF	Probable Maximum Flood
PTOs	Planned Task Observations
OHS	Occupational Health & Safety
QAQC	Quality Assurance Quality Control
RMR	Rock Mass Rating
RoM	Run of Mine
ROPO	Recognised Overseas Professional Organisation
RQD	Rock Quality Designation
RZZZ	State Health Institute
SEA	Strategic Environmental Assessment
SEC	U.S. Securities and Exchange Commission
SGEC	Strength GEC

SIP	Strategy Implementation Plan
SMD	stirred mill detritor
SRK	SRK Consulting (UK) Limited
TRM	Trivett Risk Management
TSF	Tailings Storage Facility
US	United States
USD	United States Dollar
WRD	Waste Rock Dump
Zn	Zinc

Units

dmt	dry metric tonne
EUR	Euro
g/t	grams per tonne
k	Thousand
km	kilometre
ktpa	thousand tonnes per annum
m	metre
m^3	cubic metre
m^3/s	cubic metres per second
mm	millimetre
MPa	Mega Pascals
mRL	metres reduced level
Mtpa	million tonnes per annum
oz	troy ounce
t	tonne
t/m^3	tonnes per cubic metre (density)
tph	tonnes per hour
USD	United States Dollar
USDm	A million United States Dollars

APPENDIX

A TABLE 1 JORC CODE (2012)

Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.*	Sampling for chemical assay was undertaken using 76mm diameter diamond core drilling, from surface and underground. In addition, a small number of channel samples were completed, however this now resides in mined-out areas. Channel samples from underground workings were used to measure for density. Downhole surveys at approximately every 50 m have been completed for most of the recent surface drilling, however the inclinometry data collected under historic Government ownership has not yet been added to the database. Underground drillholes typically range in length between 50 and 70 m. No downhole surveys were recorded for these holes.
Drilling techniques	• *Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).*	All surface drillholes were completed using 76mm diameter, HQ or NQ diamond core. Underground drillholes were completed using 36 mm diameter (BQ) or AX diamond core in up-holes.
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	Drilling interval was reconciled to length of recovered core to derive sample recovery. For the majority of the programs completed, this information has not been transferred to the Excel drillhole database and therefore is not readily available for review. However, based on observations made by SRK at drill sites and the core storage facility, core recovery is considered to be good (generally greater than 90%). Historical core recovery, where recorded, is generally above 80% in surface holes and 75% in underground drilling, which is considered acceptable given the support provided by adjacent close spaced drilling.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.* • *The total length and percentage of the relevant intersections logged.*	All drillcore is logged for geology, core recovery and, recently, digital photographs of the core are now being taken. The current drilling and sampling protocols do not incorporate the transfer of recovery, lithological and structural data (from borehole logging) from DWG storage format in to Excel for use in construction of the 3D resource model.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the*	Sampling lengths for drillcore are allocated guided by visually logged geological contacts and typically range between 0.3 and 1m in length, using half core for analysis. The remaining half core was stored for between three to five years in case external controls require re-assay.

Criteria	JORC Code explanation	Commentary
	sample preparation technique. • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	Samples were submitted for preparation to the Sasa Mine laboratory, where half core is crushed to -3 mm and then dried in an oven at 130°C. The sample is passed through a riffle splitter to derive a 50% split, which is pulverised using a disc mill to give a -0.74 mm powder pulp. The pulp is coned and quartered with 25% subsampled into 1 g portions for Pb and Zn analysis.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.*	The Sasa Mine laboratory analysed the samples for Pb and Zn by XRF. Ag is only routinely assayed in the concentrate, but is reasonably correlated with the Pb+Zn grade. The laboratory has obtained valid international accreditation to MKC EN ISO/TEC 17025 and is annually audited by the Macedonian Accreditation Institute. The Sasa Mine laboratory also regularly submits check samples to KCM laboratory in Sofia, Bulgaria. Independent QAQC analysis of the Pb and Zn assay database completed historically by SRK (during 2006) highlighted in general a reasonable quality in the results, albeit with slight bias toward lower grade. Whilst routine assay QAQC is currently limited to internal standard checks by the Sasa Mine laboratory staff, fundamentally, diluted ore grades seen in the mine production records provide comfort that mineralisation exists at grades close to those in the drilling sample database.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	SRK was supplied with a Microsoft Excel database containing the drillhole data. SRK has completed a number of checks on the raw data and data entry process and applied corrections where necessary. Based on the verification work completed, SRK is confident that the excel database is an accurate reflection of the drilling and sampling data. SRK would strongly recommend the implementation of full assay verification QAQC procedures for sampling and assay (including blanks, duplicates and standards) for all future drilling campaigns.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	The topographic survey of all the surface drillhole collars completed by Lynx Resources has been completed by using a Precision GPS. Underground drillhole collars and development surveys are located based on total station surveys by mining surveyors and are translated to the Macedonian grid (Gauss-Krüger coordinate system, Hermannskogel datum) for storage in the master database. Downhole surveys for surface holes, where recorded, were completed using a reflex gyro probe by the Geoma (Bulgaria) survey contractor, with readings taken at approximately every 50 m. No downhole surveys were recorded for underground these holes, which typically range in length between 50 and 70 m.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.*	Underground drilling within mining areas are typically collared at 20-30 m spacing with multiple (fan) holes often drilled at a range of inclinations from a single collar, providing sample coverage ranging from 10-30m. Surface drillholes provide intersections at approximate 200 m spacing. SRK consider the resultant drilling pattern is sufficiently dense to interpret the geometry and

Criteria	JORC Code explanation	Commentary
	• *Whether sample compositing has been applied.*	boundaries of the Lead-Zinc-Silver mineralisation with a reasonable level of confidence.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	Surface drillholes are oriented NE-SW across the deposit and intersection angles with the mineralisation are broadly perpendicular. Underground drilling are typically drilled towards the SW (from footwall to hangingwall) with multiple (fan) holes drilled at a range of inclinations providing intersection angles with the mineralisation typically ranging from perpendicular to -45°. SRK does not consider the drillhole orientation to have introduced any significant bias into the grade and tonnage estimation procedures.
Sample security	• *The measures taken to ensure sample security.*	The core is transported to Lynx Resources' core logging facility at the end of each drilling shift. All sampling and analysis is carried out on site, at or in close proximity to the Mine Laboratory, by Sasa Mine employees. SRK is satisfied that Lynx Resources utilised industry best practices for Chain of Custody procedures. All cores and samples are stored on site, which is secured.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	The Sasa Mine laboratory is annually audited by the Macedonian Accreditation Institute. The Sasa Mine laboratory also regularly submits check samples to KCM laboratory in Sofia, Bulgaria. Independent QAQC analysis of the Pb and Zn assay database completed historically by SRK (during 2006).

Section 2 Reporting of Exploration Results

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	The Project comprises a 4.22 km^2 mining concession, and adjacent 1.42 km^2 exploration concession, located in north-eastern Macedonia, some 150 km east of the Macedonian capital, Skopje. Mineral exploration and exploitation is governed by the State law on Mineral Resources of the Republic of Macedonia (Br.132 Gazette of RM/2013). The Title to the Sasa Mine exploration and exploitation concessions is held by Rudnik SASA DOOEL. The exploitation concession (24-5550/1) covers an area of 4.22 km^2 was most recently issued to Lynx Resources during 13/11/14 and is valid until 28/09/30, with the possibility of extending for another 30 years. The exploration concession (24-4971/1) covers an area of 1.42 km^2 and was most recently issued to Lynx Resources on 22/08/13 and is valid until 22/08/17. The application process for renewal is currently ongoing.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	During 1936, 1945 and 1946 the Project area was prospected by Bulgarian geologists but detailed work only began in 1952 when geological mapping by a team from the Geological Institute Skopje produced maps over the mineralised occurrences. This was followed by geophysics, trenching, drilling and excavating cross-cuts through mineralisation as surface. The history of mining and exploration at the Sasa Mine is summarised below: -The Sasa mine originally started working in 1965 but stopped in 2001 when government funding of operating capital ended. -Solway Investment Group Ltd (Solway) acquired the mine from a group of creditors in 2005. The plant was re-equipped with a state of the art flotation circuit allowing production of separate zinc and lead concentrates. -On 03.11.2015, Solway announced that it had sold the Sasa mine to the Orion Mine Finance Group (Orion) partnered with Fusion Capital AG (Fusion) in Lynx Resources Ltd to acquire the mine through its wholly owned subsidiary Lynx Europe SPLLC Skopje.
Geology	• *Deposit type, geological setting and style of mineralisation.*	The Project is located in the Serbo-Macedonian massif which comprises greenschist and amphibolite facies metamorphic rocks, Precambrian to Palaeozoic in age, which have been variably intruded by andesitic to trachytic volcanic rocks during the Tertiary. Lead-Zinc-Silver mineralisation at Sasa occurs as bedding concordant deposits hosted predominantly by quartz-graphite schist and marbles of Lower Paleozoic age at Svinja Reka and by gneisses at Golema Reka. High-temperature hydrothermal fluids and bedding-parallel faulting (related to the intrusion of Tertiary volcanics) is responsible for metasomatism of the host sediments to develop skarn and base metal mineralisation. The well-defined, partially exploited lenses of Lead-Zinc-Silver mineralisation dip at approximately 35° to the south-west and typically range in true thickness from between 2 – 30 m.
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* ○ *easting and northing of the drill hole*	Listing this material would not add any further material understanding of the deposit and Mineral Resource. Furthermore, no Exploration Results are specifically reported.

Criteria	JORC Code explanation	Commentary
	collar ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* ○ *dip and azimuth of the hole* ○ *down hole length and interception depth* ○ *hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	Not applicable - No Exploration Results are specifically reported.
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	Not applicable - No Exploration Results are specifically reported.
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	Various maps, sections and diagrams are reported in this document.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	Not applicable - No Exploration Results are specifically reported.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	Not applicable - No Exploration Results are specifically reported.
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially*	If a structural study is completed in the future, SRK would recommend completing additional exploration based on the findings given its potential to highlight areas that may host further Lead-Zinc-Silver mineralisation.

Criteria	JORC Code explanation	Commentary
	sensitive.	

Section 3 Estimation and Reporting of Mineral Resources

Criteria	JORC Code explanation	Commentary
Database integrity	• *Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.* • *Data validation procedures used.*	SRK has completed a number of checks on the raw excel database supplied by Lynx Resources and is satisfied that the data does not contain significant errors nor has it been corrupted.
Site visits	• *Comment on any site visits undertaken by the Competent Person and the outcome of those visits.* • *If no site visits have been undertaken indicate why this is the case.*	SRK visited the Project from 26 September to 11 October 2016 and 24 January to 28 January 2017. During the site visits, SRK was able to witness the exploration and mining work completed to date, review geological relationships exposed in underground workings and geological maps, review drill holes for to confirm values stored in the database and discuss geological and structural interpretations
Geological interpretation	• *Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.* • *Nature of the data used and of any assumptions made.* • *The effect, if any, of alternative interpretations on Mineral Resource estimation.* • *The use of geology in guiding and controlling Mineral Resource estimation.* • *The factors affecting continuity both of grade and geology.*	SRK used underground mapping, combined with diamond drilling information to interpret the mineralised zones using Leapfrog Geo 3.1 software. A roughly 2% Pb+Zn cut-off was used to constrain the mineralised domains, although, since the contacts are generally sharp, some weaker mineralisation was included in the model. Due to the multiple lenses, and pinching and swelling morphology, the underground maps were invaluable to guiding the interpretation of the 3 dimensional domain solids. SRK modelled a total of 8 mineralised zones in Svinja Reka and 4 mineralised zones in Golema Reka. Internal waste zones (<2% Pb+Zn) are common within the mined, mapped, and modelled zones for Svinja Reka. In many cases it is practically impossible to remove all of these zones. SRK has modelled internal waste zones within the mineralised lenses where the internal waste is mappable through multiple drillhole intersections and supported by underground mapping.
Dimensions	• *The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.*	At Svinja Reka, the well-defined, partially exploited lenses of Lead-Zinc-Silver mineralisation dip at approximately 35° to the south-west and typically range in true thickness from between 2 – 30 m. The mineralised lenses are present in parallel sheets (typically 2 or 3 bodies), separated by an interburden with thicknesses of 1 - 10 m. The lenses pinch and swell along strike and down-dip, with an apparently dominant southerly plunge. The Lead-Zinc-Silver mineralisation is continuous along strike, in some lenses up to 1,000m. Lead-Zinc-Silver mineralisation at Golema Reka is hosted within granitoid gneiss and strikes approximately 135 degrees and dips moderately, at approximately 45 degrees, to the Southeast. The Lead-Zinc-Silver mineralisation occurs as stacked massive to semi-massive sulphide lenses, each with variable thickness (0.5 to 10 m) along strike and down dip, separated by weakly mineralised gneiss
Estimation and modeling	• *The nature and appropriateness of the estimation technique(s) applied and key*	In summary, for the October 2016 Mineral Resource update, SRK has completed the following:

Criteria	JORC Code explanation	Commentary
techniques	*assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.* • *The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.* • *The assumptions made regarding recovery of by-products.* • *Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation).* • *In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.* • *Any assumptions behind modelling of selective mining units.* • *Any assumptions about correlation between variables.* • *Description of how the geological interpretation was used to control the resource estimates.* • *Discussion of basis for using or not using grade cutting or capping.* • *The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.*	• Modelled Lead-Zinc-Silver lenses in 3D; • Composited the sample data to 1m intervals at Svinja Reka and 3m and Golema Reka and undertaken statistical analysis for each mineralised domain; • Applied high grade caps per estimation domain from log histograms and log probability plots; • Undertaken geostatistical analyses to determine appropriate interpolation algorithms; • Created a block models with block dimensions of 3.5 x 14 x 7 m; • Undertaken a Quantitative Kriging Neighbourhood Analysis (QKNA) to test the sensitivity of the interpolation parameters; • Interpolated Pb and Zn grades into the block model and assigned Ag grades based on a regression with estimated Pb grade; • Assigned density to the block model based on a regression with Pb and Zn; • Visually and statistically validated the estimated block grades relative to the original sample results
Moisture	• *Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.*	All tonnages are reported as dry tonnages.
Cut-off parameters	• *The basis of the adopted cut-off grade(s) or quality parameters applied.*	To determine this, the Mineral Resource has been evaluated based on a minimum net smelter return (NSR) including Pb, Zn and Ag credits, using a Pb price of USD2,550/t, a Zn price of USD2,800/t and a silver price of 25 USD/oz based on typical long term consensus forecasts (to reflect the requirement for “reasonable prospects” for eventual extraction) and a set of assumed technical and economic parameters economic which were selected based on the current mining operations at the Sasa Mine. SRK considers that the blocks with a value greater than USD30.0 at Svinja Reka and USD35.0 at Golema Reka have “reasonable prospects for eventual economic extraction” and can be reported as a Mineral Resource
Mining factors or assumptions	• *Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.*	Ongoing development of the Svinja Reka deposit will likely continue to be via underground sub-level stoping, with ore hauled to surface by trucks and trams through lateral development accesses at various mining elevations. Potential future mining of Golema Reka is assumed to be via mechanized cut & fill, which remains consistent with previous mining at the deposit.

Criteria	JORC Code explanation	Commentary
Metallurgical factors or assumptions	• *The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.*	SRK has applied the following to determine its cut-off value for the Mineral Resource, based on current mining operations at the Sasa Mine: • Pb Process Recovery: 94% • Zn Process Recovery: 85.5% • Ag Process Recovery: 70% • Pb Payability: 95% • Zn Payability: 85% • Ag Payability: 95%
Environmental factors or assumptions	• *Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.*	SRK is unaware of any environmental factors which would preclude the reporting of Mineral Resources.
Bulk density	• *Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.* • *The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc.), moisture and differences between rock and alteration zones within the deposit.* • *Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.*	SRK designed and carried out a program of density sampling and measurement in 2006. 50 samples were collected from 11 locations from the Svinja Reka mine workings. 25 samples were collected from 5 locations from the Golema Reka mine workings. Samples were washed and dried before density measurements were taken using scales provided by the Sasa Mine. Each sample was suspended on a wireloop, hung from a cross bar on the scales; the scales were placed on a wood beam clamped to a bench top overhanging the edge. Samples were weighed first in air and then after careful immersion in water, using Archimedean principles to determine the density. Dry density values were plotted versus combined Pb+Zn and a linear regression determined. SRK used the relationship between Zn+Pb grade and density for determining individual block tonnages in the resource model as follows: Dry Density for Svinja Reka (t/m^3) = 3.039 + (0.0382 x (Zn% + Pb%)). Dry Density (t/m^3) for Golema Reka = 2.7058 + (0.0354 x (Zn% + Pb%))
Classification	• *The basis for the classification of the Mineral Resources into varying confidence categories.* • *Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).* • *Whether the result appropriately reflects the Competent Person's view of the deposit.*	Data quality, drillhole spacing, geological confidence and the interpreted continuity of grades controlled by the mineralisation domains have allowed SRK to classify portions of the deposit in the Indicated and Inferred Mineral Resource categories.
Audits or reviews	• *The results of any audits or reviews of Mineral Resource estimates.*	Historical estimates, which have been reported in compliance with the JORC Code, include the following:

Criteria	JORC Code explanation	Commentary
		• SRK produced a Mineral Resource Estimate on the Sasa Mine Swine River (Svinja Reka) deposit with effective date of October 2006, reporting above a 5% Pb+Zn cut-off an Indicated Mineral Resource of 7.8 Mt grading 4.9% Pb and 5.0% Zn and an Inferred Resource of 25.4 Mt grading 5.0% Pb and 5.2% Zn. In addition SRK also produced an Inferred Resource in October 2006 on the Sasa Mine Grand River (Golema Reka) deposit which occurs some 1km to the SE to Svinja Reka, reporting 2.1 Mt grading 6.2% Pb and 2.6% Zn; • Wardell Armstrong (UK) produced a Mineral Resource Estimate on the Sasa Mine Svinja Reka deposit with effective date of October 2011, reporting above a 2% Pb+Zn cut-off a Measured and Indicated Mineral Resource of 4.2 Mt grading 5.14% Pb and 4.78% Zn and an Inferred Resource of 13.5 Mt grading 5.17% Pb and 4.06% Zn; • Mineral Resource Advisors (MRA) produced an updated Mineral Resource Estimate on the Sasa Mine Svinja Reka deposit with effective date of October 2015, reporting above a 2% Pb+Zn cut-off an Indicated Mineral Resource of 14.29 Mt grading 4.81% Pb, 3.79% Zn and 22.2 g/t Ag and an Inferred Resource of 3.53 Mt grading 3.84% Pb, 3.23% Zn and 19.8 g/t Ag.
Discussion of relative accuracy/ confidence	• *Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.* • *The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.* • *These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.*	The Sasa mine Svinja Reka deposit is an underground mine which is at an advanced stage of drilling and geological understanding. Recent infill drilling from surface and underground, digitising of underground geological maps and geological modelling in 3D has added further geological confidence to the local scale geometry of the mineralisation and grade distributions in the Resource model. The Golema Reka deposit is an underground mine which is at a lower level of geological understanding than that of Svinja Reka. Data used to interpret the mineralisation model is historic, and no drill core samples or underground exposures are available for inspection/investigation. The geological interpretation used to generate the Mineral Resource presented herein is generally considered to be robust; however, there are areas of lower geological confidence which may be subject to further revision in the future. SRK has classified portions of the deposits in the Indicated and Inferred Mineral Resource categories.

Section 4 Estimation and Reporting of Ore Reserves

Criteria	JORC Code explanation	Commentary
Mineral Resource estimate for conversion to Ore Reserves	• *Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve.* • *Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves.*	• The Mineral Resource estimate and block model used as a basis for the Ore Reserve estimate was completed by SRK Consulting (UK) Ltd has an effective date of 01 October 2016, with the Competent Person responsibilities taken by Mr Guy Dishaw in line with the requirements of the JORC Code (2012) guidelines. There are no reported Measured Resources. Indicated Resources only have formed the basis of the Ore Reserve Estimate. • The Mineral Resource estimate is reported as inclusive of Ore Reserves.
Site visits	• *Comment on any site visits undertaken by the Competent Person and the outcome of those visits.* • *If no site visits have been undertaken indicate why this is the case.*	• Site visits were undertaken by the designated SRK Competent Persons, including Chris Bray (Mining Engineer) for Ore Reserves and Richard Oldcorn (Project Director) for overall preparation of the supporting Competent Persons Report ("CPR") in March 2017. • Other Persons who assisted the Competent Persons undertook separate site visits in March 2017 (Mineral Processing, Geochemistry, Environmental and Water Management) and earlier site visits in February 2016 (Geotechnical and Tailings). • The Competent Person for the Mineral Resource Estimate, Guy Dishaw, visited the SASA Mine most recently in January 2017.
Study status	• *The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves.* • *The Code requires that a study to at least Pre-Feasibility Study level has been undertaken to convert Mineral Resources to Ore Reserves. Such studies will have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered.*	• The SASA Mine reopened in 2006 and has been operating using a similar mining method approach and production rate in recent years as that used for the Life of Mine plan ("LoMp"). A sufficiently detailed mine plan and schedule has been developed, based on the Indicated classified Mineral Resources and applying reasonable modifying factors (mining dilution and recovery). Recent historical operating costs and recoveries have been used as a basis in the economic assessment as well as an estimate of Capital costs (including closure provision) over the Life of Mine.
Cut-off parameters	• *The basis of the cut-off grade(s) or quality parameters applied.*	• Mine planning by Lynx Resources has assessed the Mineral Resource for a range of Net Smelter Return ("NSR") cut-off values using the Deswik Stope Optimiser, which was reviewed by SRK. Based on these results, Lynx Resources determined that a NSR cut-off of USD30 per tonne (based on a break-even operating cost) provided a suitable basis for the mine design and life of mine schedule.
Mining factors or assumptions	• *The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design).*	• The sub-level caving method has been used for many years at the SASA Mine. The LoMp is based on using the same mining method approach, which is supported by the SRK Geotechnical and Mining Assessment. The mine has well established access and

Criteria	JORC Code explanation	Commentary
	• *The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc.* • *The assumptions made regarding geotechnical parameters (eg pit slopes, stope sizes, etc), grade control and pre-production drilling.* • *The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate).* • *The mining dilution factors used.* • *The mining recovery factors used.* • *Any minimum mining widths used.* • *The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion.* • *The infrastructure requirements of the selected mining methods.*	material handling systems. • The mine design is based on a sub-level spacing of 7 m, which also considers a recent geotechnical assessment by SRK in 2016. • A budget allowance is provided for grade control drilling which is in line with historic costs. • As the mine has been operating for many years there is a reasonable assumption that the same mining method approach will be suitable for mining the Inferred classified Resources. • Mine dilution is based on historical performance at 21.9% at the Svinja Reka deposit, which is primarily incurred as a result of the sub-level cave method. • Mining losses are based on historical performance at 18% and are mainly due to sterilisation of identified Resources by the sub-level caving method. • Mine planning has considered a mining selectivity of 7 m in the horizontal direction and 7 m in the vertical direction which is considered reasonable for the mining method approach and production equipment used. • In the Golema Reka deposit, a cut and fill mining method is planned (which was previously used in this deposit), with 95% recovery and 8% dilution. • Mine planning has only considered the Indicated classified Mineral Resources to support the Ore Reserve estimate. Inferred classified Mineral Resources are considered in the LoMp but only the Indicated portion of the LoMp supports Ore Reserves. • The mine is well established and there is significant underground development already in place to access the identified Ore Reserves. The materials handling systems are already established and with sufficient capacity for the production rate used for mine planning.
Metallurgical factors or assumptions	• *The metallurgical process proposed and the appropriateness of that process to the style of mineralisation.* • *Whether the metallurgical process is well-tested technology or novel in nature.* • *The nature, amount and representativeness of metallurgical test work undertaken, the nature of the metallurgical domaining applied and the corresponding metallurgical recovery factors applied.* • *Any assumptions or allowances made for deleterious elements.* • *The existence of any bulk sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole.* • *For minerals that are defined by a specification, has the ore reserve estimation been based on the*	• There are established metallurgical process concentrator facilities at the operating SASA Mine which has achieved similar production rates and recovery parameters in recent years that are used as a basis of the Ore Reserves, the LoMp. • The process plant is conventional and the metallurgy for both lead and zinc, based on historical performance, is relatively straightforward • The forecast lead and zinc feed grades of 3.37% to 4.03% Pb and 2.65% to 3.27% Zn are below the nominal design figures and are within the historical grades processed previously such that the lead and zinc loads within the flotation circuit are acceptable and should not be an issue. • There are no significant deleterious elements reported.

Criteria	JORC Code explanation	Commentary
	appropriate mineralogy to meet the specifications?	• There are no issues with zinc in lead concentrate and lead in zinc concentrate.
Environmental	• *The status of studies of potential environmental impacts of the mining and processing operation. Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported.*	• An initial Environmental Impact Assessment ("EIA") was undertaken in 2006 to meet regulatory requirements, long after operations commenced. A new EIA for TSF4 was submitted in 2016. • There is upstream contamination from the historical mine workings and the associated mine residues. However, according to a legal review, the current operators are not responsible for this. SRK notes separating the effects of historical contamination from any new contamination generated by current operations remains a challenge. • No geochemical characterization of operational mine residues has been undertaken to determine long term acid rock drainage and metal leaching potential. Currently available water quality data indicates this is not currently a problem; however, implementation of agreed environmental and social action plan ("ESAP") items is needed to confirm if this will remain the case long term and if water treatment post-closure may be required. • TSF 4, located immediately downstream of the active TSF 3.2, is currently under construction. In order to fulfill the LoMp for the Ore Reserves, an additional similar sized facility, TSF 5, will be required in 2026. Whilst formal designs have not yet been prepared for TSF 5, the location will be immediately downstream of TSF 4, it will be constructed in the same way as TSF 4 (downstream construction using cycloned tailings plus starter dam) and a similar amount of capex has been provided for its construction in Lynx Resources' financial model. • Following from work completed as part of the conceptual closure cost study, a closure cost provision of USD15M (real 2017 terms) has been allowed for.
Infrastructure	• *The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided, or accessed.*	• The SASA mine is operating and the infrastructure and services are well established and considered appropriate and sufficient for the duration of the LoMp. • There is a requirement for significant infrastructure to be developed as part of the development of tailings storage facilities to fulfil the LoMp. A tunnel in bedrock within the western abutment of TSF 4 is partially completed and a surface channel river diversion is planned for the eastern abutment. Downstream extensions to these structures will be required for TSF 5 and capital has been allocated for this in Lynx Resources' financial model. SRK has recommended that Lynx Resources begins the permitting process for TSF 5 in 2018.

Criteria	JORC Code explanation	Commentary
Costs	• *The derivation of, or assumptions made, regarding projected capital costs in the study.* • *The methodology used to estimate operating costs.* • *Allowances made for the content of deleterious elements.* • *The derivation of assumptions made of metal or commodity price(s), for the principal minerals and co- products.* • *The source of exchange rates used in the study.* • *Derivation of transportation charges.* • *The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc.* • *The allowances made for royalties payable, both Government and private.*	• The Capital and Operating cost estimates for the SASA Mine have been determined Lynx Resources based on recent historical performance and the current 2017 budget for the mine. A conceptual cost for mine closure has also been included. • The currency used for reporting at the mine is the Euro ("EUR"); however, the economic assessment reports in United States Dollars ("USD") where a constant exchange rate of 1.09 USD/EUR has been applied over the LoM. • Transportation charges are based on off-take agreements with customers to European smelters. • Treatment and refining charges are based on current offtake agreements with customers. • The compensation for exploitation of the minerals (Concession Fee) amounts to: o 2% of the market value of the metal of lead per tonne in each tonne of lead concentrate produced. o 2% of the market value of the metal of zinc per tonne in each tonne of zinc concentrate produced.
Revenue factors	• *The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc.* • *he derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products.*	• Treatment and refining charges are based on a standard approach used at smelters using the current terms for concentrate treatment which are also factored according to the forecast metal prices. • Concentrate grades and payability terms for the separate lead and zinc concentrates are based on those achieved in recent operating history. • The commodity price profile used in the economic assessment has been sourced from Bloomberg as at 17 July 2017. • The forecast silver price is as per a long-term streaming agreement which is in place.
Market assessment	• *The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future.* • *A customer and competitor analysis along with the identification of likely market windows for the product.* • *Price and volume forecasts and the basis for these forecasts.* • *For industrial minerals the customer specification, testing and acceptance requirements prior to a supply contract.*	• The SASA Mine is a long term producer of lead and zinc concentrates and primary supplier to European smelters. • New offtake agreements have been negotiated by SASA mine in November 2016 and January 2017. • The forecast silver price is as per a long-term streaming agreement which is in place.
Economic	• *The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc.* • *NPV ranges and sensitivity to variations in the significant assumptions and inputs.*	• SRK has prepared a financial model, based on Lynx Resources' financial model, to test the economic viability of the Ore Reserves, taking into account the various technical, operating cost, capital expenditure and corporate income tax parameters (excluding any debt or financing structures). The assessment demonstrates that the Ore Reserve is economically viable, with robust economics that remain

Criteria	JORC Code explanation	Commentary
		positive when tested against appropriate increases in operating and capital costs, and changes in commodity prices. • A break even assessment has been undertaken for the Ore Reserve case. At an undiscounted basis, the cashflow supported by the Ore Reserve breaks even at prices of USD910/t for Pb and USD1,100/t for Zn.
Social	• *The status of agreements with key stakeholders and matters leading to social licence to operate.*	• The project reportedly enjoys good relations with the community of Kamenica and its employees. Therefore, no material risks arising from the current informal management of social issues have been identified. However, closer to the mine community members have complained about dust and this issue has been picked up in the latest Decision from the regulatory authority. The stakeholder engagement and social actions committed to in the mine's ESAP need to be implemented to manage any potential community risks going forward.
Other	• *To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves:* • *Any identified material naturally occurring risks.* • *The status of material legal agreements and marketing arrangements.* • *The status of governmental agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent.*	• The Exploitation concession (Concession Agreement) has been provided by Lynx Resources as no. 24-5550/1 dated 13/11/2014, as amended with Annex to Concession Agreement No. 24 2413/1 dated 26/03/2015, and exploitation permit thereto dated 13/05/2015. The concession is valid until 28/09/2030. • The challenges identified for the existing tailings facility (TSF 3.2) include the following: ○ The flows in to and out of the TSF are not quantified and there is no emergency spillway during the operational phase. It is acknowledged that in the current configuration there is significant available freeboard above the current pond elevation, and this is monitored and maintained. The outcome of the planned site-wide water balance is needed to validate the pond decantation systems and freeboard allowances for managing potential storm events. ○ There is risk that if the culvert roof collapses, uncontrolled release of tailings to the downstream environment could occur, similar to the failure that occurred in 2003. The mechanism would not be the same because remedial works were undertaken subsequently that reinforced the culvert roof at the location of the hatch that failed and caused the release. Lynx Resources is currently undertaking a structural integrity survey of the tunnels under the TSFs and will act on the findings and recommendations, as

Criteria	JORC Code explanation	Commentary
		appropriate. ○ The consented levels of metals and cyanide in the discharge water chemistry have been exceeded. To date, this has not prevented continuity of operations but there is a risk.
Classification	• *The basis for the classification of the Ore Reserves into varying confidence categories.* • *Whether the result appropriately reflects the Competent Person's view of the deposit.* • *The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any).*	• The Ore Reserve estimate is based on Indicated classified Mineral Resources to determine Probable Reserves only. • The Mineral Resource statement does not include any Measured classified Resources and there are no Proved Ore Reserves declared by SRK. • Underground Probable Ore Reserves at the SASA Mine reflect the Indicated Mineral Resource available for stoping after accounting for depletion, pillars, and Modifying Factors for recovery and dilution.
Audits or reviews	• *The results of any audits or reviews of Ore Reserve estimates.*	• SRK has undertaken a multidisciplinary review of the Mineral Assets including an economic assessment. The Indicated classified Mineral Resources have been estimated by SRK. The Indicated Mineral Resources are a suitable basis for the Ore Reserves and SRK agrees that appropriate modifying factors have been applied. The mine planning, undertaken by Lynx Resources, has been completed in sufficient detail to provide a robust LoM schedule which is supported by the historical performance of the mine and process facilities. The economic assessment completed on the Mineral Assets is based on a reasonable forecast of metal prices and capital and operating cost estimates and shows a positive economic outcome for the discounted cashflow analysis.
Discussion of relative accuracy/ confidence	• *Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate.* • *The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.* • *Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve viability, or for which there are remaining areas of uncertainty at the current study stage.* • *It is recognised that this may not be possible or appropriate in all*	• The SASA Mine has been operating using a similar approach and production rate as that used in the LoMp. There is significant underground development in place and sufficient capacity with the existing materials handling systems for the duration of the LoMp which has been based on Indicated classified Resources. The Ore Reserve estimate is robust given the significant history of production and confidence in the parameters (based on actual) used in the mine planning and analysis. • The economic assessment has undertaken sensitivity analysis on the key drivers which has confirmed the robustness of the financial results. • SRK has provided Lynx Resources with technical recommendations to further improve the accuracy and confidence in mine planning in the future.

Criteria	JORC Code explanation	Commentary
	circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.	

APPENDIX

B REGISTER OF MACEDONIAN STATUTES

Register of Macedonia Statutes

Register of applicable legislation		
1	Labour Relations Law	Official Gazette of RoM no. 54-2013 г
2	Law on Safety and Health at Work - final text	Official Gazette of RoM no. 53-2013 г
3	Law on Minerals	Official Gazette of RoM no. 136-2012 г
4	Law Amending and the Law on Minerals	Official Gazette of RoM no. 44-2014 г
5	Law Amending the Law on Prevention of and Protection against Discrimination	Official Gazette of RoM no. 44-2014 г
6	Rulebook on Safety and Health at Work - Manual Handling of Loads	Official Gazette of RoM no. 135-2007 г
7	Rulebook on Safety and Health at Work - Use of Work Equipment	Official Gazette of RoM no. 116-2007 г
8	Rulebook on Minimum Requirements on Safety and Health of Workers at the Workplace Area	Off. Gazette на Р.М. бр.154-2008 г
9	Rulebook on Safety and Health of Workers Exposed to Risk of Noise	Off. Gazette на Р.М. бр.21-2008 г
10	Rulebook on Safety and Health of Workers Exposed to Risk of Vibrations	Official Gazette of RoM no. 26-2008 г
11	Rulebook on the Amount of Costs for Performing Expert Activities Related to Health and Safety at Work	Official Gazette of RoM no. 10-2014 г
12	Rulebook on Safety and Health at Work Signs	Official Gazette of RoM no. 127-2007 г
13	Rulebook on the Format and Content of the Form of Reporting on Start of Performing an Activity	Official Gazette of RoM no. 136-2007 г
14	Rulebook on the Manner of Development a Safety Statement, its Content and Data to be Used as the Basis for Risk Assessment	Official Gazette of RoM no. 2-2009 г
15	Rulebook on Personal Protection Equipment Workers Use at Work	Official Gazette of RoM no. 116-2007 г
16	Rulebook on Minimum HS Requirements for Employees in the Mineral Exploitation by Drilling	Official Gazette of RoM no. 163-2011 г
17	Rulebook on the Conditions, Manner and Program for Sitting an Expert Exam on Safety at Work	Official Gazette of RoM no. 138-2007 г
18	Rulebook on the Conditions to be Met by Employees and the Organization and the Technical and Other Conditions to be Met by the Legal and Physical Entity to Perform Professional Activities	Official Gazette of RoM no. 37-2008 г
19	Law Amending the Law on Technical Inspection	Official Gazette of RoM no. 119-2010 г
20	Law on Technical Inspection	Official Gazette of RoM no. 88-2008 г
21	Rulebook on the Minimum Health and Safety Requirements for Employees in Mining Companies Exploiting Mineral Resources on Surface and Underground	Official Gazette of RoM no. 64-2012 г
22	Rulebook on Health and Safety while Using Work Equipment a	Official Gazette of RoM no. 116-2007 г
23	Rulebook on the Manner of Keeping Records in the Area of Health and Safety at Work	Official Gazette of RoM no. 136-2007 г
24	Rulebook on the Minimum Health and Safety Requirements for Work of Temporary Mobile Construction Sites	Official Gazette of RoM no. 105-2008 г
25	Law Amending the Law on Health and Safety at Work	Official Gazette of RoM no. 23-2013 г
26	Law Amending the Law on Health and Safety at Work	Official Gazette of RoM no. 25-2013 г
27	Law Amending the Law on Health and Safety at Work	Official Gazette of RoM no. 136-2011 г
28	Law Amending the Technical Inspection Law	Official Gazette of RoM no. 119-2010 г
29	Law Amending the Technical Inspection Law	Official Gazette of RoM no. 36-2011 г
30	Law on Health and Safety at Work	Official Gazette of RoM no. 92-2007 г
31	Law Amending the Technical Inspection Law	Official Gazette of RoM no. 164-2013 г
32	Law Amending the Law on Health and Safety at Work	Official Gazette of RoM no. 164-2013 г
33	Rulebook on the Minimum Health and Safety Requirements for Employees Potentially Exposed to Risk of Explosive Environments	Official Gazette of RoM no. 74-2009 г
34	Rulebook on the minimum requirements for safety and health at work of employees from the risks related to exposure to asbestos at work	Official Gazette of RoM no. 50-2009 г
35	Rulebook on the Minimum Health and Safety Requirements for Employees with Regard to Risks Related to Exposure to Biological Agents	Official Gazette of RoM no. 170-2010 г
36	Rulebook on the Minimum Health and Safety Requirements for Employees with Regard to Exposures to Cancer-causing, Mutagen Substances or Substances Toxic to the Reproductive System	Official Gazette of RoM no. 110-2010 г

Register of applicable legislation		
37	Rulebook on the Minimum Health and Safety Requirements for Employees with Regard to Risks Related to Exposure to Chemical Substances	Official Gazette of RoM no. 46-2010 г
38	Rulebook on the Use of Pressurized Equipment	Official Gazette of RoM no. 32-2009 г
39	Rulebook on the Use of Lifts and Transporters	Official Gazette of RoM no. 26-2009 г
40	Rulebook on the Use of Cranes and Industrial Transporters	Official Gazette of RoM no. 32-2009 г
41	Law Amending the Health and Safety at Work Law	Official Gazette of RoM no. 158-2014 г
42	Law Amending the Health and Safety at Work Law	Official Gazette of RoM no. 137-2013 г
43	Rulebook on the Closer Types of Special Sources of Noise and Conditions to be Met by Plants, Equipment, Installations and Devices Used in Outdoor Areas with Regard to Emissions of Noise and Protection against Noise Standards	Official Gazette of RoM no. 142-2013 г
44	Integral text of the Technical Inspection Law	Official Gazette of RoM no. 88/08,119/10, 36/11, и 136/11
45	Rulebook on Protection Measures for Operating Cranes	Official Gazette of RoM no. 13-1998
46	Rulebook on Professional Development of Safety Professionals	Official Gazette of RoM no. 92/07 и 136/11
47	Rulebook on the Amount of Costs for Issuance of Permits for Performance of Expert Activities and Taking Expert Exams on Safety at Work	Official Gazette of RoM no. 92/07 и 136/11
48	Rulebook on the Minimal Health and Safety Requirements for Young Workers	Official Gazette of RoM no. 127-2012 г
49	Rulebook on the Minimal Health and Safety Requirements for Workers With Regard to Exposure to Asbestos at the Workplace	Official Gazette of RoM no. 50-2009 г
50	Rulebook on the Minimal Health and Safety Requirements for Pregnant Women Workers, Women Workers Who Have Recently Given Birth or Are Breast Feeding	Official Gazette of RoM no. 119-2011 г
51	Rulebook on the Manner of Scoring Active and Passive Participation in Trainings on Professional Development of Safety Professionals and the Format of and Form for Certificates of Scores Obtained for Participation in Professional Development Trainings	Official Gazette of RoM no. 41-2014 г
52	Rulebook on the Amount of Costs of Performance of Safety-at-Work-Related Expert Activities	Official Gazette of RoM no. 10-2014 г
53	Decree on the Type, Manner, Scope and Pricelist of Health Examinations of Employees	Official Gazette of RoM no. 60-2013 г
54	Decree Amending the Decree on the Type, Manner, Scope and Pricelist of Health Examinations of Employees	Official Gazette of RoM no. 168-2014 г
55	Law Amending the Law on Health and Safety at Work	Official Gazette of RoM no. 129-2015 г
56	Law Amending the Law on Health and Safety at Work	Official Gazette of RoM no. 15-2015 г
57	Law Amending the Law on Minerals	Official Gazette of RoM no. 39-2016 г
58	Law Amending the Law on Health and Safety at Work	Official Gazette of RoM no. 192-2015 г
59	Law Amending the Law on Health and Safety at Work	Official Gazette of RoM no. 30-2016 г
60	Rulebook on Mobile Equipment under Pressure	Official Gazette of RoM no. 17-2007 г
61	Rulebook on the Equipment and Procedure for Provision of First Aid and Organizing the Rescue Unit in Case of Incidents at Work	Official Gazette of RoM no. 21-1971 г
62	Law Amending the Law on Minerals	Official Gazette of RoM no. 93-2013 г
63	Rulebook on the Manner of Identification of Locations at which Firefighting Devices and Installations, Other Firefighting Equipment and Fire Extinguishers Must be Located, in Full Functionality, Specially Marked and Available for Use	Official Gazette of RoM no. 74-2006 г
64	Law Amending the Law on Rescue and Protection	Official Gazette of RoM no. 49-2004 г
65	Rulebook on Technical Norms for Handling Explosives and Blasting Operations in Mining	Official Gazette of RoM no. 26-1988 г
66	Law on Rescue and Protection	Official Gazette of RoM no. 36-2004 г
67	Law on Trading in Explosive Substances	Official Gazette of RoM no. 30-1985 г
68	Law on Protection against Explosive Substances	Official Gazette of RoM no. 4-1978 г
69	Rulebook on Releasing PPE on the Market	Official Gazette of RoM no. 13-2007 г
70	Decision of the Constitutional Court (98/10)	Official Gazette of RoM no. 98-2010 г
71	Decision of the Constitutional Court (93/11)	Official Gazette of RoM no. 93-2011 г
72	Decision of the Constitutional Court (60/12)	Official Gazette of RoM no. 60-2012 г
73	Rulebook on the Use of Technical Mining Equipment	Official Gazette of RoM no. 170-2010 г
74	Rulebook on Safety of Machines	Official Gazette of RoM no. 123-2009 г
75	Rulebook on Minimum HS Requirements for Temporary and Mobile Construction Sites	Official Gazette of RoM no. 105-2008 г

APPENDIX

C SASA MINE SAFETY STRATEGY ELEMENTS AND IMPROVEMENT INITIATIVES

Appendix C: Sasa Mine Safety Strategy Elements and Improvement Initiatives

Strategy Framework Element	ID	Initiative Name	Initiative Description	Initiative Owner
Safety Strategy Implementation Plan (SIP)	00	Safety Strategy and SIP	A formal strategy document and strategy implementation plan of action. - These documents are key governance controls for safety improvement activities at the mine - Apply Change Management Principals when reviewing/updating operating procedures (rulebook)	Technical Director
1. Enhance Hazard Identification Skills	01	Hazard ID Skills Training	A program of formal Hazard ID skills training. Training is delivered by an accredited training entity. Training content is to reference the Sasa OHS baseline risk register, the hazards and hazard controls documented therein. Training includes the skills to conduct Job Safety Analyses (JSA) and the facilitation of Take 5 risk assessments	Safety Manager
	02	Safety Audio Visual / Poster campaign	A program of topical safety and operational related audio visual presentations and posters aligned with selected hazard or operational safety communication requirements identified through the weekly safety meetings.	Safety Manager
2. Review Risk Assessment & Operating Rules	03	Review of Risk Assessment	The establishment of the Sasa OHS baseline risk register. This document is a key governance control for safety improvement at the mine.	Safety Manager
	04	Review Mining operating rules	The development and implementation of a series of Mining related safety and operational management documents: - Principle Hazard Management Plans (PHMP) for hazards or operational activities which pose a fatality risk. - Standard Operating Procedures for each standard mining activity - Safe Work Method Statements (SWMS) for non-standard activities	Mine Manager
	05	Review Flotation operating rules	The development and implementation of a series of Flotation related safety and operational management documents: - Principle Hazard Management Plans (PHMP) for hazards or operational activities which pose a fatality risk. - Standard Operating Procedures for each standard flotation activity - Safe Work Method Statements (SWMS) for non-standard activities	Flotation Manager
	06	Review Mechanical operating rules	The development and implementation of a series of Mechanical related safety and operational management documents: - Principle Hazard Management Plans (PHMP) for hazards or operational activities which pose a fatality risk. - Standard Operating Procedures for each standard mechanical installation or maintenance activity - Safe Work Method Statements (SWMS) for non-standard activities	Mechanical Engineer
	07	Review Electrical operating rules	The development and implementation of a series of Electrical related safety and operational management documents: - Principle Hazard Management Plans (PHMP) for hazards or operational activities which pose a fatality risk. - Standard Operating Procedures for each standard electrical installation or maintenance activity Safe Work Method Statements (SWMS) for non-standard activities	Electrical Engineer

Strategy Framework Element	ID	Initiative Name	Initiative Description	Initiative Owner
3. Strategize Equipment Safety Improvements	08	Safety in Design (SID) – Equipment and Material	- Processes to ensure the capital replacement program fully leverages the principals of Inherently Safer Design. - Processes to ensure that all materials and consumables fully leverage the principals of Inherently Safer Design	Technical director
	09	Mechanical Equipment Safety Compliance Renewal Program	Minimise residual risk exposure from old mechanical assets by applying a risk-based approach to prioritisation for replacement. - Audit of all fixed and mobile equipment to determine inherent safety shortcoming - Clearly tag all “Old generation” or non-compliant assets - Communicate that the unsafe and/or non-standard assets are being tolerated temporarily because there is a phased renewal/replacement program - Ensure adequate Procedural/Administrative controls in the interim	Mechanical Engineer
	10	Electrical Equipment Safety Compliance Renewal Program	Minimise residual risk exposure from old electrical assets by applying a risk-based approach to prioritisation for replacement. Yes - Audit of all fixed and mobile equipment to determine inherent safety shortcomings - Clearly tag all “Old generation” or non-compliant assets - Communicate that the unsafe and/or non-standard assets are being tolerated temporarily because there is a phased renewal/replacement program - Ensure adequate Procedural/Administrative controls in the interim	Electrical Engineer
	11	ISO/IEC Technical Standards & Specifications	- Ensure relevant ISO/IEC Technical Standards & Specifications are met where appropriate. - Ensure all other relevant Macedonia Technical Standards & Specifications are met	Technical Director
4. Integrate and Automate Safety Management Systems	12	Alignment with the EHS General Guidelines and the EHS (Mining) guidelines.	A register of EP alignment requirements indicating current status, gaps identified and gap close-out requirements.	Safety Manager / Environmental Manager
	13	Intranet-based OHS workflow	Implement an “Intranet” based data management, workflow and reporting application.	Safety Manager
	14	Accident and Incident Investigation Tools	Implement appropriate technical accident investigation techniques.	Safety Manager
5. Develop Safety Performance Monitoring & Targets	15	Safety Performance Indicators (Lagging)	- Continue with accurate historical statistics (Lag Indicators) i.e. Fatalities, Injuries, Occupational Diseases etc. - Apply ICMM Guideline classification definitions - Benchmark against best in class operations	Safety Manager
	16	Safety Performance Indicators (Leading)	Identify appropriate Lead Indicators and establish a LI implementation plan. - Safety inspections / observations etc. - Include High Potential Incidents (HPI’s)	Technical Director
	17	“Zero Tolerance” policy position	Establish a concise one-liner Safety Policy or mantra which is easy to memorise and implementable by all persons at the mine	General Manager
	18	OHS and Environmental performance targets	Set achievable targets and milestones 2016, 2017, 2018 etc for each Leading and Lagging Indicators	General Manager
	19	Personal OHS KPI’s	Ensure line management are assigned clear, achievable performance targets	General Manager

Strategy Framework Element	ID	Initiative Name	Initiative Description	Initiative Owner
6. Understand & Monitor Workforce Fitness	20	Explore best in class recruitment /filtering methods	Investigate, consider and implement international best in class recruitment/filtering methods with the aim to developing the "Safety Climate" at the mine.	HR Manager
	21	Workforce Monitoring and Management	- Understand Safety and Productivity capabilities of individuals based on individual assessment and monitoring - Develop and implement an appropriate workforce (fit-for-work) management plan	HR Manager
7. Regulator and Worker Interactions	22	Safety Strategy Union Communication	Obtain Union buy-in on all Strategy action plans	General Manager
	23	Regulator Interactions	- Proactively involve regulators in understanding Sasa's intentions and changes regarding safety management - Consider the potential benefits of improving the capability and competence of the mining inspectorate. - Additional use of regulator skills/capability where appropriate - Motivate increased collaboration by Macedonian regulators with counterparts in other countries where regulatory compliance and safety performance has been positively impacted by a risk-based approach to hazard management	General Manager