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CENTRAL ASIA METALS PLC
KPMG CORPORATE FINANCE
MIRABAUD

Competent Persons Report on the Ereen Deposit located in Northern Mongolia for Central Asia Metals'

September 2010

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10 September 2010

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EXECUTIVE SUMMARY

Wardell Armstrong International ("WAI") was commissioned by Central Asia Metals Plc ("CAML" or "Client") for the preparation of a Competent Person's Report (CPR) of its assets for the purposes of fulfilling the requirements of the AIM Rules and AIM Note for Mining and Oil and Gas Companies (June 2009) for a proposed admission of ordinary shares of CAML to trading on AIM, a market operated by the London Stock Exchange plc ('AIM').

The assets of CAML are:

- The Kounrad Copper SX-EW leach operation in central Kazakhstan;
- The Tochtar Gold Mine located in north central Kazakhstan;
- The Alag Bayan Copper-porphyry project located in south eastern Mongolia; and
- The Ereen Gold and Handgait Molybdenum projects in northern Mongolia.

In May 2007, CAML acquired 85% of the Ereen Project *via* its operating company Zuun Mod UUL LLC and received all necessary licence documentation to explore the property. Zuun Mod UUL LLC is a local Mongolian entity owned 85% by CAML Mongolia BV. The exploration programme commenced in August 2007 and consisted of the following: 1) geophysical survey, 2) soil geochemical survey (both used to target drill holes), 3) reconnaissance drilling, and 4) resource definition grid drilling on 80x80m spacing.

Due to the forested character of the area and minimal outcrop, a strong reliance on "see through" exploration techniques was made, such as "gold-in-soil" geochemical sampling, which helped to identify shallow mineralisation, and IP geophysics, which helped to outline chargeability anomalies that contain sulphides, mostly arsenopyrite and pyrite. From these works, a drilling programme was started in October 2007 and included 62 diamond core holes.

Work to date has delineated a mesothermal quartz vein system with volcanic-hosted disseminated mineralisation associated with quartz-sericite-carbonate and intensive silicification alteration zones. A broad area of mineralisation has been defined with approximate dimensions of 750x650m, which remains open laterally and down dip.

The results of this work and regional studies have determined a number of geological factors responsible for the control of gold mineralisation:

- The regional-scale northeasterly trending Sujigtei fault defines the position of the large Gatsuurt deposit and determines a northeastern orientation of the Ereen ore-controlling structural elements, conjugate to the Sujigtei fault;
- East-west, north-south and north-western striking faults of different magnitudes help to localise mineralisation; hydrothermally altered rhyolite is the major host rock for mesothermal gold veins and volcanic-hosted mineralisation;
- Due to the large amount of hydrothermal alteration, Ereen mineralisation generates a district-scale magnetic low;
- Multi-stage alteration zones are located within the chargeability anomaly; and
- Two major quartz veins are spatially related to the gold-bearing alteration zones.

Furthermore, the axis of the main Ereen IP anomaly (north-northwest) is duplicated by both the trend and plunge of the delineated mineralisation.

A Mineral Resource estimate was completed by Kazakhstan Mineral Corporation in October 2008. This work showed that given the relatively limited data available at that time, it was not possible to derive a geostatistical (kriging) estimate for Ereen, though the commonly used IDW^2 method proved acceptable.

The existing density of the exploration grid (pattern) determined that the majority of the resource was at *Inferred* status (more than 98%). As an example, using a 1g/t Au cut-off, an *Inferred* resource of 9.7Mt (gross) @1.73g/t Au was estimated, with a further 57kt (gross) @ 1.43g/t Au in *Measured + Indicated* categories. All resource categories are reported in accordance with JORC Code (2004) guidelines.

This demonstrated that the project had significant potential to host an open pittable resource with grades likely to be around 2.0g/t Au. WAI recommends that further infill drilling on a closer spacing is undertaken in order to improve the confidence in the *Inferred*

Mineral Resources, which may potentially allow these to be uprated to *Indicated* category under the guidelines of the JORC Code (2004).

CAML completed a short programme of drilling in 2009, which consisted of 4 additional holes at Ereen totalling 1,249.55m and 5 holes at Baavgait (a similar target which lies some 2km to the west of Ereen) totalling 542.85m. This additional drilling was required to enable an application to be made to the Mongolian authorities for conversion of the exploration licences into mining licences which was approved on 30 June 2010.

The short drilling programme at Ereen did not intersect mineralisation that has materially altered the Mineral Resource estimate which was completed by Kazakhstan Mineral Corporation in 2008 and, therefore, WAI is satisfied that their statement remains current.

INTRODUCTION

Terms of Reference

Wardell Armstrong International (WAI) has been commissioned by Central Asia Metals Plc (CAML) to prepare a Competent Persons Report (CPR) for the purposes of an application for admission to the AIM market of the London Stock Exchange. WAI has undertaken a review of the following assets in order to assess the resource potential of the licences and review the status of exploration works undertaken to date:

- The Kounrad copper waste dump operation, situated approximately 15km north of the town of Balkhash in south-central Kazakhstan, and the Tochtar gold mine and dump reclamation operation in the Jettigara District of the Kostanai Oblast in Northern Kazakhstan; and
- The Alag Bayan copper, Ereen gold and Handgait advanced exploration stage molybdenum projects, situated in southern, central and northern Mongolia respectively.

Where possible, WAI has reviewed Mineral Resources in accordance with the *Australasian Code for Reporting of Mineral Resources and Ore Reserves* (the 'JORC Code' or 'the Code' 2004) which sets out minimum standards, recommendations and guidelines for Public Reporting of exploration results, Mineral Resources and Ore Reserves in Australasia. It has been drawn up by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia.

WAI believes that the Republic of Kazakhstan, a member of the Commonwealth of Independent States (CIS), formerly a Soviet Republic (Kazakhstan declared its sovereignty as a Republic within the Union of Soviet Socialist Republics (USSR) in October 1990) still adheres to the GOST regulations of the Russian Federation for the reporting of mineral resources and reserves and as such the reserves quoted above are equivalent to the Russian Standard. Gosstandart of the Russia Federation (GOST) is a set of regulations (similar to ISO) which relate to all Russian industries. Resources and reserves are approved by GKZ in Moscow, the State governing body for this, which applies the GOST regulations. Therefore, if resources and reserves are approved by GKZ, they are in compliance with GOST.

Where Mineral Resources have not been estimated in accordance with an internationally recognised standard (such as the JORC Code (2004) or the Russian Standard) and are based on historical data they are included for information only.

Site Visits to Ereen

Phil Newall, BSc (ARSM) PhD (ACSM) FIMMM CEng, a Director and Senior Consulting Geologist with WAI visited the Ereen and Handgait properties in July 2007 and again in May 2008 to inspect all aspects of the geology, mineralisation, mining, metallurgy, environmental and infrastructure. In addition, meetings were held with key personnel at the site.

Mark Owen, BSc (Hons), MSc, MCSM, CGeol, EurGeol, FGS, Technical Director and geologist with WAI, visited the Ereen and Alag Bayan projects, during the period 21 - 25 of April 2010 and inspected some of the aspects of the exploration activities undertaken on each licence area, including the results from geological mapping, geophysical and geochemical surveys and diamond drilling and discussed many aspects of the project with CAML technical staff, including:

CAML Staff in Mongolia

Dr Alexei Sokolov, who is CAML Exploration Manager for all projects in Mongolia. He has nearly 30 years of experience gained whilst working on various projects in around the world. Formerly VP Exploration of Freedom Gold (USA) and later exploration Manger of Avocet Mining's Zeravshan project in Tajikistan. He has extensive experience in exploration technology and has a PhD from the institute of Geology of Ore Deposits (Russian Federation).

Burenbadrakh Tugjchamba, company Chief Geologist in Mongolia, has nearly 10 years experience as a geologist and is current project manager at Ereen. Previously he was Senior Geologist of "Mine Info" geological company.

Odkhuu Bulgantamir, company Senior Geologist in Mongolia, has 5 years experience gained whilst working on various project around Mongolia. Previously he was geologist on the Ereen gold project, but now is on-site project manager at Alag Bayan

Study Strategy

The basic strategy for this Competent Person's Report has been to examine and report on the existing information available on CAML's properties in Mongolia, after completion of site visits to inspect and audit all aspects of the geology, mineralisation, resources/reserves, mining, metallurgy, environmental and infrastructure present at each site as well as current exploration practices, including former and proposed exploration programmes, the results of laboratory analysis and test work, methods and procedures used in recording information and interpretation of results. During the visits, further information was gathered on equipment, costs, potential mining methods, permitting, and environmental issues.

Locally based and publicly available documentation was viewed by WAI and in addition, WAI held meetings with the key personnel responsible at the operation.

Company Background

Central Asia Metals Plc (CAML) is a mining, exploration and development company focused on base and precious metals in Central Asia. The Group has majority stakes in projects in Kazakhstan and Mongolia.

The Board and Management team have extensive mining and geological expertise and experience throughout The company has offices in London, Almaty and Ulaan Bataar.

Ereen

CAML has an 85% interest in Ereen, which is an advanced stage gold project located in northern Mongolia, where previously Chinese workers exploited narrow, high grade gold veins. Geophysical investigations and core drilling have demonstrated the occurrence of metasomatic gold mineralisation associated with the veins and CAML are targeting a 1Moz gold resource.

Mongolia

Mongolia lies between Russia and China in Northern Asia and occupies an area of approximately 1,564,116km^2. A census in July 2007 determined a population of 3M people, most of whom live in the principal towns and cities, though a significant number still pursue a traditional nomadic lifestyle.

Mongolia won its independence from China in 1921 with Soviet backing. A communist regime was implemented in 1924. Following a peaceful democratic revolution, the ex-communist Mongolian People's Revolutionary Party (MPRP) won elections in 1990 and 1992; this was defeated by the Democratic Union Coalition (DUC) in the 1996 parliamentary election. Parliamentary elections returned the MPRP to power in 2000 and 2004, and since 2006, the MPRP has led a coalition with some minor parties and independent MPs.

Economic activity in Mongolia has traditionally been based on herding and agriculture. Mongolia has extensive mineral deposits including copper, coal, gold, molybdenum, tin, and tungsten, which account for a large part of industrial production and foreign direct investment (FDI).

Soviet assistance, at its height one-third of GDP, disappeared between 1990 and 1991 at the time of the dismantling of the USSR. The following decade saw Mongolia endure both deep recession due to political inaction and natural disasters, as well as economic growth because of reform-embracing, free-market economics and extensive privatisation of the formerly state-run economy.

Severe winters and summer droughts in 2000-02 resulted in massive loss of livestock and zero or negative GDP growth. This was compounded by falling prices for Mongolia's primary sector exports and widespread opposition to privatisation. Growth was 10.6% in 2004, 5.5% in 2005, 7.5% in 2006, and 9% in 2007 largely due to high copper prices and new gold production. Mongolia is experiencing its highest inflation rate in over a decade as consumer prices rose 14% in 2007, because of increased fuel and food costs.

Mongolia's economy continues to be heavily influenced by its neighbours. Mongolia purchases 80% of its petroleum products and a substantial amount of electric power from Russia, leaving it vulnerable to price fluctuations. China receives nearly 70% of Mongolia's

exports. Remittances from Mongolians working abroad both legally and illegally are sizable and money laundering is a growing concern. Mongolia settled its US$11 billion debt with Russia at the end of 2003 on favourable terms. Mongolia, which joined the World Trade Organization (WTO) in 1997, seeks to expand its participation and integration into Asian regional economic and trade regimes.

Summary of Assets

Summary of Assets - Ereen						
Asset	**Holder**	**Interest (%)**	**Status**	**Licence Expiry Date**	**Licence Area (ha)**	**Comments**
Mongolia						
Ereen						
15619 (M)	Zuun Mod UUL LLC	85	Mining	30 June 2040	1,184	Partly replacing exploration licence No.3441x(E) to the north, west and south of the Baavgait deposit.
2616A (M)			Mining	25 Sept 2030	50	Located within the Ereen quartz vein deposit.
4265A (M)			Mining	11 April 2032	50	Located within the Baavgait gold deposit area.
15617 (M)			Mining	30 June 2040	665	Located to the east, north and south of the Ereen deposit.
15618 (M)			Mining	30 June 2040	1,058	Located between Baavgait and Ereen.

Summary of Resources

Using a 1g/t Au cut-off, Kazakhstan Mineral Company in 2008 estimated an *Inferred* Mineral Resource of 9.7Mt @1.73g/t Au , with a further 57kt @ 1.43g/t Au in *Measured + Indicated*, all reported in accordance with the JORC Code (2004).

Those Mineral Resources are given in the table below.

Ereen Mineral Resource Estimate (Kazakhstan Mineral Corporation, 2008) (Prepared in accordance with the guidelines of the JORC Code (2004)) (Cut-off Grade 1g/t Au)				
Category				**Operator**
Gold	**Tonnes (t)**	**Grade (g/t Au)**	**Contained Metal (kg)**	
Mineral Resources per asset - Ereen				Zuun Mod UUL LLC
Measured	6,890	1.443	9.9	
Indicated	50,560	1.408	71.2	
Inferred	9,746,600	1.730	16,861.4	
Total	**9,804,050**	**1.728**	**16,942.5**	

Note: All attributable resource grades are the same as total resource grade
Inaccuracies may be due to rounding

Proposed Exploration Programmes (2010-2011)

The proposed exploration programme for the Ereen Asset during 2010-2011 is provided in the table below.

Mongolian Assets – Proposed Exploration Expenditure (2010-2011)	
ASSET	**EXPLORATION & EVALUATION EXPENDITURE**
Ereen	US$0.2M – US$0.8M
Total	**US$0.2M – US$0.8M**

Note: Actual exploration and evaluation expenditure for each of the Mongolian assets will depend on actual capital expenses incurred for the construction of the Kounrad commercial SX-EW plant

WAI has reviewed the above proposed exploration programme and budget and considers that it is set at an appropriate level to cover the required works.

1 EREEN

1.1 Background

1.1.1 Location, Access and Infrastructure

The Ereen property, approximately 42km from the centre of Mandal soum, Selenge aimag is located to the northwest of Ulaanbaatar. The location of the Ereen deposit is shown in Figure 1.1.

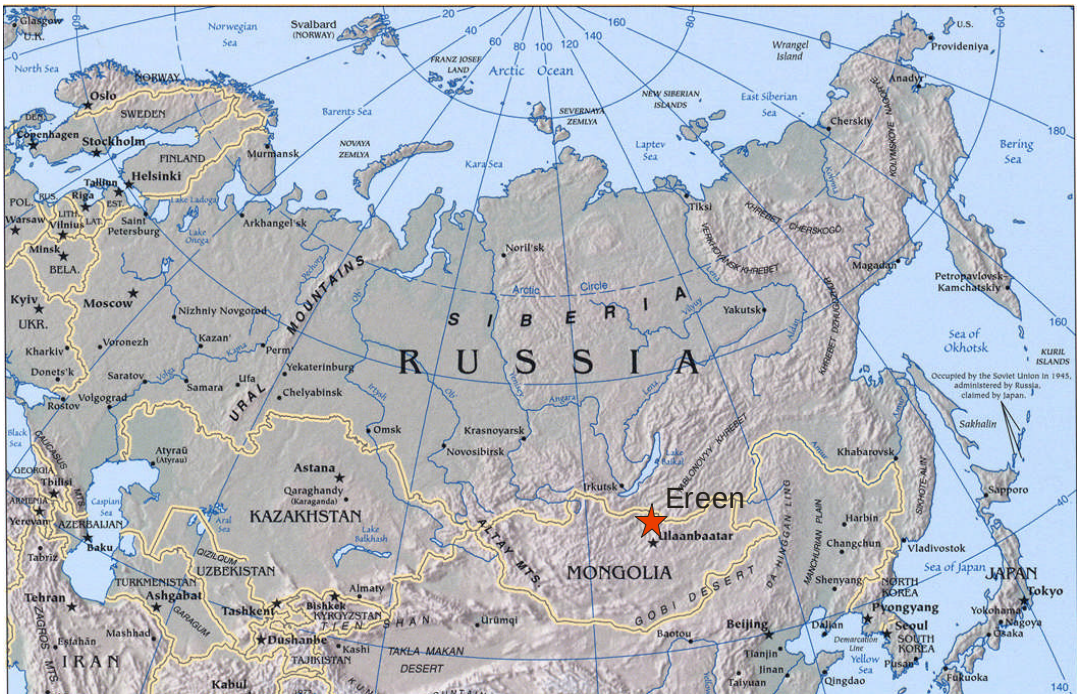

Figure 1.1: Location of Ereen, Mongolia

The licence area is located approximately 140km to the northwest of Ulaanbaatar and approximately 35km to the south of Zuunharaa which is one of the largest stations on the Trans-Mongolian Railway. Bornuur town is connected to Ulaanbaatar by paved road (105km). The main towns in the area are served by good infrastructure including power, water and communications.

There are two main access routes to the Ereen site; by paved road from Ulaanbaatar to Bornuur (110km) and then approximately 50km on unpaved road to the site, or 136km to the north of Ulaanbaatar on Boroo Gold Mine's improved earth road, and then

approximately 30km by unpaved road to the site. Either way, total driving time is around 3 hours.

The existing field camp is well constructed with office space, mess, accommodation and full core preparation and storage facilities. The site also has satellite communications and generator power electricity.

1.1.2 Topography, Climate and Demographics

The topography in the immediate vicinity of the Ereen site is relatively rugged with steep sided, variably vegetated slopes dissected by narrow stream valleys. Further to the west, the valleys broaden out and, typically, grasslands prevail.

The climate of the Ereen area is harsh, with rain in the summer season and snow cover reaching 0.5m-1.0m in winter.

There are no habitations in the immediate licence area, though there are semi-nomadic herdsmen on the plains to the west.

1.1.3 Mineral Rights and Permitting

The Ereen Project comprises five mining licences. Full details of the licences are provided in Table 1.1 and Table 1.2 and Figure 1.2 below.

CAML has concluded negotiations with the Mongolian State bodies to convert the three original exploration licences into mining licences, which were approved on 20 June 2010. The mining licences are granted for a 30-year period after the date of issue. WAI has inspected the licence documentation, including coordinates, and believes it to be in order.

Table 1.1: Ereen Licence Details						
Licence No.	**Holder**	**Interest (%)**	**Type**	**Valid Until**	**Area (ha)**	**Comments**
15619 (M)	Zuun Mod UUL LLC	85	Mining	30 June 2040	1,184.08	Partially replacing exploration licence No.3441x(E) to the north, west and south of the Baavgait deposit.
2616A (M)			Mining	25 Sept 2030	50	Located within the Ereen quartz vein deposit.
4265A (M)			Mining	11 April 2032	50	Located within the Baavgait gold deposit area.
15617 (M)			Mining	30 June 2040	665	Located to the east, north and south of the Ereen deposit.
15618 (M)			Mining	30 June 2040	1,058	Located between Baavgait and Ereen after dividing exploration licence 3441X.

Table 1.2: Ereen Licence Co-ordinates					
Licence	**Easting**	**Northing**	**Licence**	**Easting**	**Northing**
65088	106° 33' 16.26"	48° 38' 31.86"	65087	106° 31' 16.27"	48° 39' 1.85"
65088	106° 33' 16.25"	48° 36' 31.86"	65087	106° 31' 16.27"	48° 38' 31.86"
65088	106° 32' 37.25"	48° 36' 31.86"	65087	106° 31' 46.26"	48° 38' 31.86"
65088	106° 31' 46.26"	48° 36' 11.85"	65087	106° 31' 46.26"	48° 36' 11.85"
65088	106° 31' 46.26"	48° 37' 1.85"	65087	106° 31' 24.26"	48° 36' 2.86"
65088	106° 32' 26.25"	48° 37' 1.85"	65087	106° 30' 1.26"	48° 36' 28.55"
65088	106° 32' 26.26"	48° 37' 21.86"	65087	106° 30' 1.26"	48° 39' 1.85"
65088	106° 31' 46.26"	48° 37' 21.86"	4265A	106° 29' 20"	48° 37' 0"
65088	106° 31' 46.26"	48° 38' 31.86"	4265A	106° 29' 20"	48° 37' 20"
65086	106° 30' 1.26"	48° 39' 1.85"	4265A	106° 30' 0"	48° 37' 20"
65086	106° 30' 1.26"	48° 37' 21.86"	4265A	106° 30' 0"	48° 37' 0"
65086	106° 29' 0"21.2	48° 37' 21.88"			
65086	106° 29' 21.2"	48° 37' 1.88"			
65086	106° 30' 1.26"	48° 37' 1.85"			
65086	106° 30' 1.26"	48° 36' 28.52"			
65086	106° 27' 31.2"	48° 37' 14.87"			
65086	106° 27' 31.2"	48° 39' 1.88"			

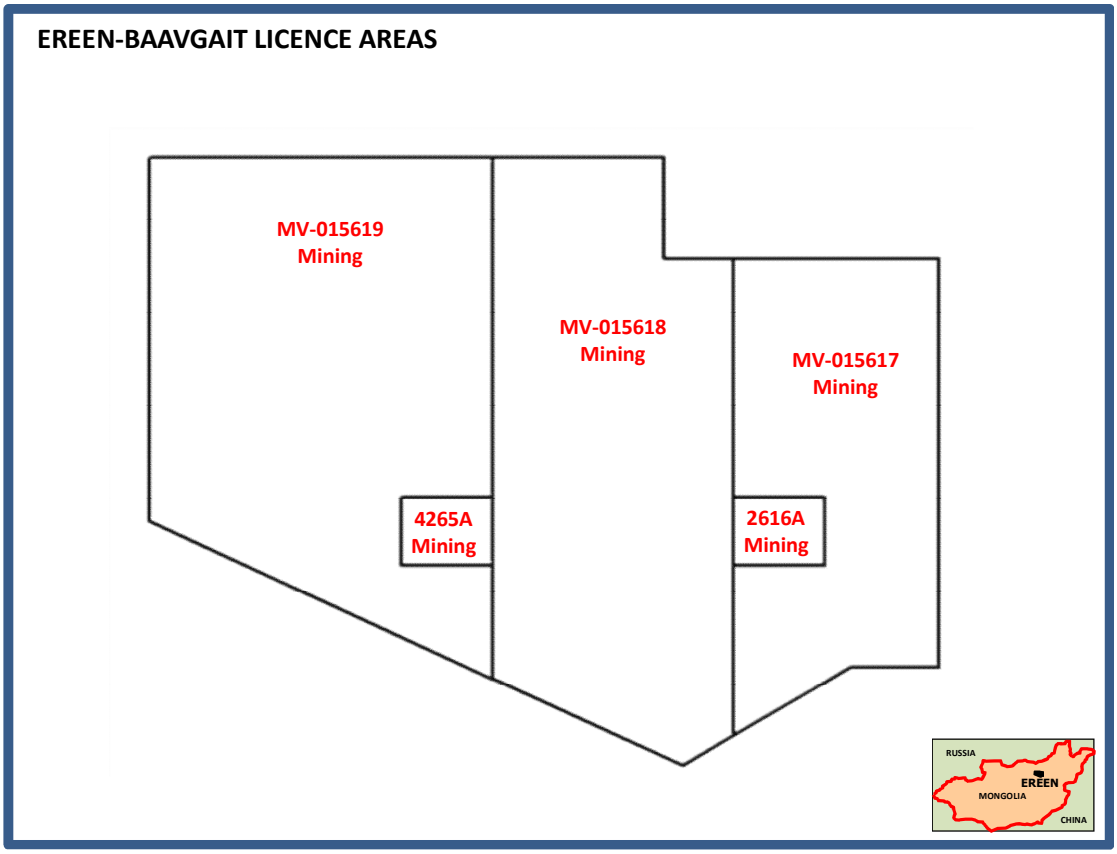

Figure 1.2: Location of the Ereen Mining Licences

1.2 History and Previous Works

1.2.1 Previous Exploration Work

The Ereen gold deposit was discovered in 1912; in 1915 Mongolor prospector's co-operative, regarded as the first Mongolia gold mining company, started gold mining at the Ereen site and at the Zuun Mod gold deposits.

Between 1957 and 1958, Mongolian and Russian geological teams conducted exploration mapping at a scale of 1:200,000 over the area, and in parallel, work at the Zuun Mod group of deposits under the supervision of V.N. Loghinov.

From 1959 to 1962, detailed exploration was focused on evaluating reserves of the Ereen vein system as well as more general exploration over other prospects in the area.

Between 1973-1995, further exploration was undertaken both regionally and at the deposit.

1.2.2 Mining Works

The Ereen deposit was first exploited by underground methods, between 1915-1919; by the Mongolor joint venture. More recent activity on a relatively small scale was undertaken by Chinese migrant workers who exploited the steeply dipping narrow veins from a series of levels up the hillside.

During WAI's 2007 and 2010 site visits, these miners were active on CAML'S licence. WAI has not seen any records, but production is believed to be low. It is understood that these illegal miners will be evicted prior to the commencement of production.

1.3 Geology and Mineralisation

1.3.1 Regional Geology

The Ereen deposit lies within the North Khentei gold belt, which is bounded to the northwest by the Bayangol fault system and to the southeast by the Yeroogol (or Sujigtei) fault system (Figure 1.3). Both fault systems have a similar southwest-northeast trend (generally 045°).

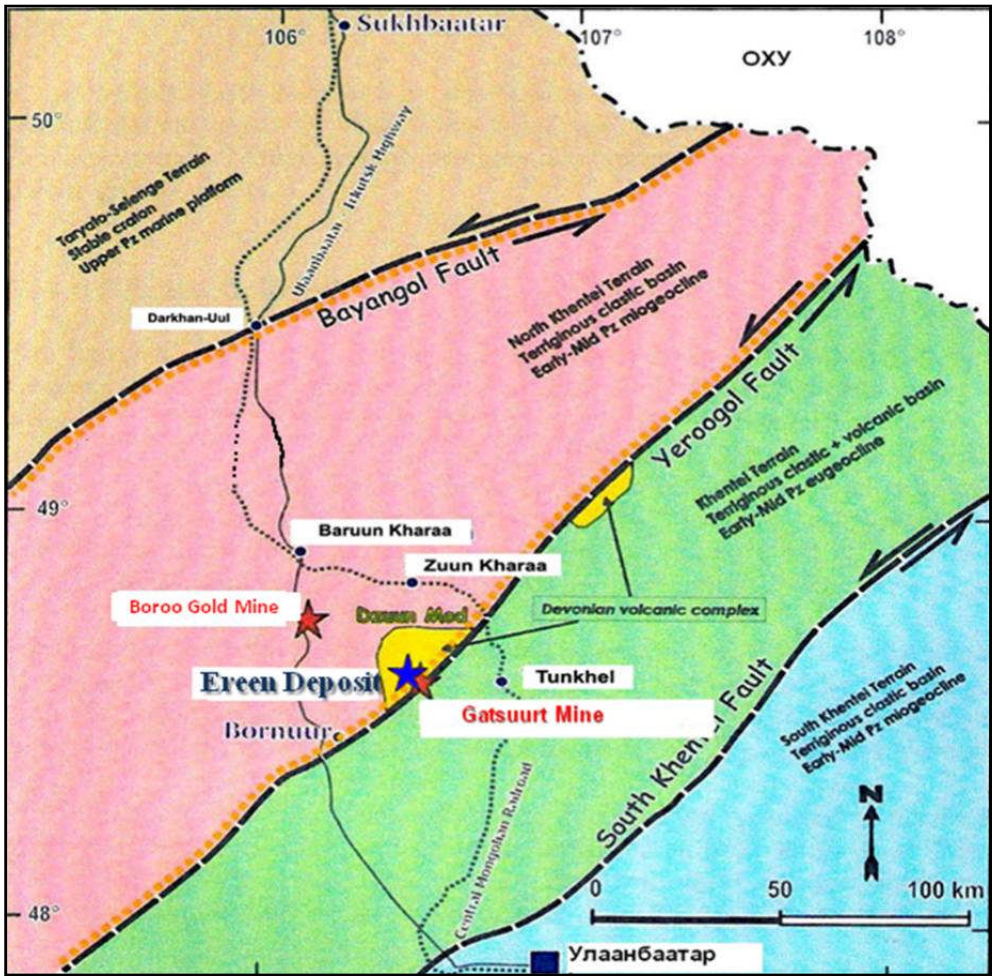

Figure 1.3: Regional Geology around Ereen

The North Khentei gold deposits and occurrences typically comprise a range of mesothermal prospects from individual quartz veins with coarse gold and low-sulphide veins to disseminated fine gold in sulphidised rocks (disseminated gold-sulphide).

The Bayangol and Sujigtey (Yeroogol) fault zones or suture zones are believed to be the principal structural elements for gold of the Bayangol terrain. This hypothesis is based on the distribution of gold placer deposits and lode gold occurrences, as well as gold and arsenic anomalies in stream sediments. (Figure 1.4)

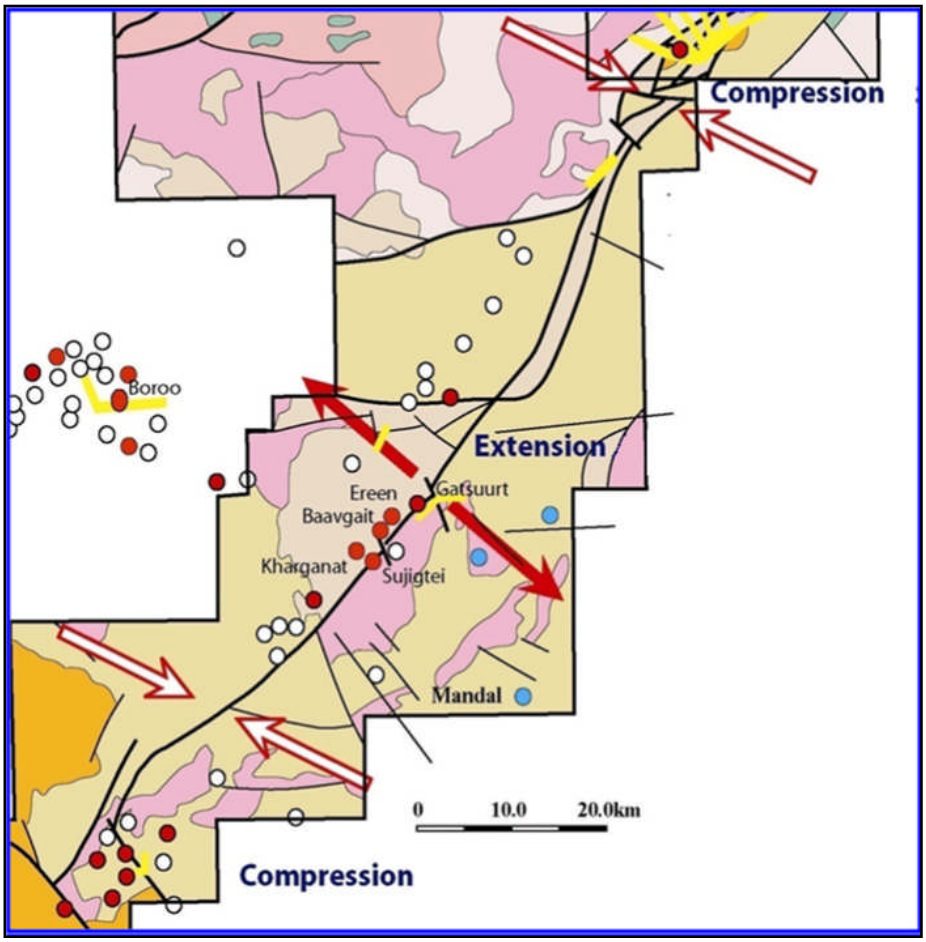

Figure 1.4: Mesothermal Gold in Extensional Environment

Ereen occurs near to the principal gold deposit in the district, Gatsuurt Mine, developed by Centerra Gold Corporation (1.2Moz of contained gold), and Boroo mine (10,169,000t @ 3.5g/t Au, 1Moz of contained gold).

The Sujigtei fault separates Devonian rhyolites (which host Ereen) in the west from Palaeozoic granites in the east. Well understood ore-controlling factors at Gatsuurt could be similar to those at Ereen.

1.3.2 Ereen Local Geology

1.3.2.1 Ereen

Previous mining data suggested that the Ereen deposit consisted of two quartz veins, localised in Devonian rhyolites surrounded by weak alteration halos.

Vein 1, which has a length of 500m and width from a few centimetres to 1m (average 0.25-0.35m), strikes to the northeast and dips gently (35-45°) to the southeast. Gold grades vary from trace to 409g/t along the strike and depth extension of the vein. Better grades (from 14g/t to 363.4g/t Au) were distributed in the middle and deeper parts of the vein, with near-surface grades (down to 40m) considered uneconomic.

Ore minerals are pyrite, arsenopyrite, tetrahedrite, chalcopyrite, sphalerite, galena, scheelite, malachite, azurite, limonite and free gold. Free milling gold is associated with quartz, galena and arsenopyrite. The average size of visible gold was 1mm.

Vein 2 is located in the northeast part of the deposit, strikes northeast and dips gently (12°) to the northwest. It has a strike length of 200m and an average thickness of 0.4m. Trenching was undertaken in 1959-1960 and showed the average thickness of the vein to be 1m on surface and to be surrounded by a 7m wide silicified halo. Gold grade varied from 0.5g/t to 2.7g/t on the surface.

1.3.2.2 Baavgait

The deposit was exploited by underground means during 1913-1919 by "Mongolor" joint venture which identified 2 quartz veins localised in Devonian rhyolites.

The east-west striking "Main" vein dipped to the north at 40- 45°, is 100m long and 1.5-2.0m thick; and the average grade varied from 15g/t to 25g/t Au and from 25g/t to 30g/t Ag. Higher gold grade was concentrated in vein selvages in association with sulphides. Ore mineralogy is similar to Ereen, but native silver was also identified at Baavgait.

The second vein is located sub-parallel to the "Main" vein, strikes NW-SE and dips to the northeast at 50°. However, it was reportedly narrow and was never exploited.

Exploration at a scale of 1:2000 was conducted between 1959-1962, old dumps were re-explored, sampled, documented, old trenches were cleaned out, surveyed and sampled. This prospectors' cooperative sank 3 drifts which were 262m, 230m and 21m in length and a number of auxiliary drifts/entries/and raises were mined. The thickness of the vein in the upper horizon was 1.7m. The vein typically strikes to the NW at 280° and dips to NE at 40°.

Figure 1.5 shows the local geology around Ereen and Baavgait, whilst Figure 1.6 shows the location of the underground workings at Baavgait.

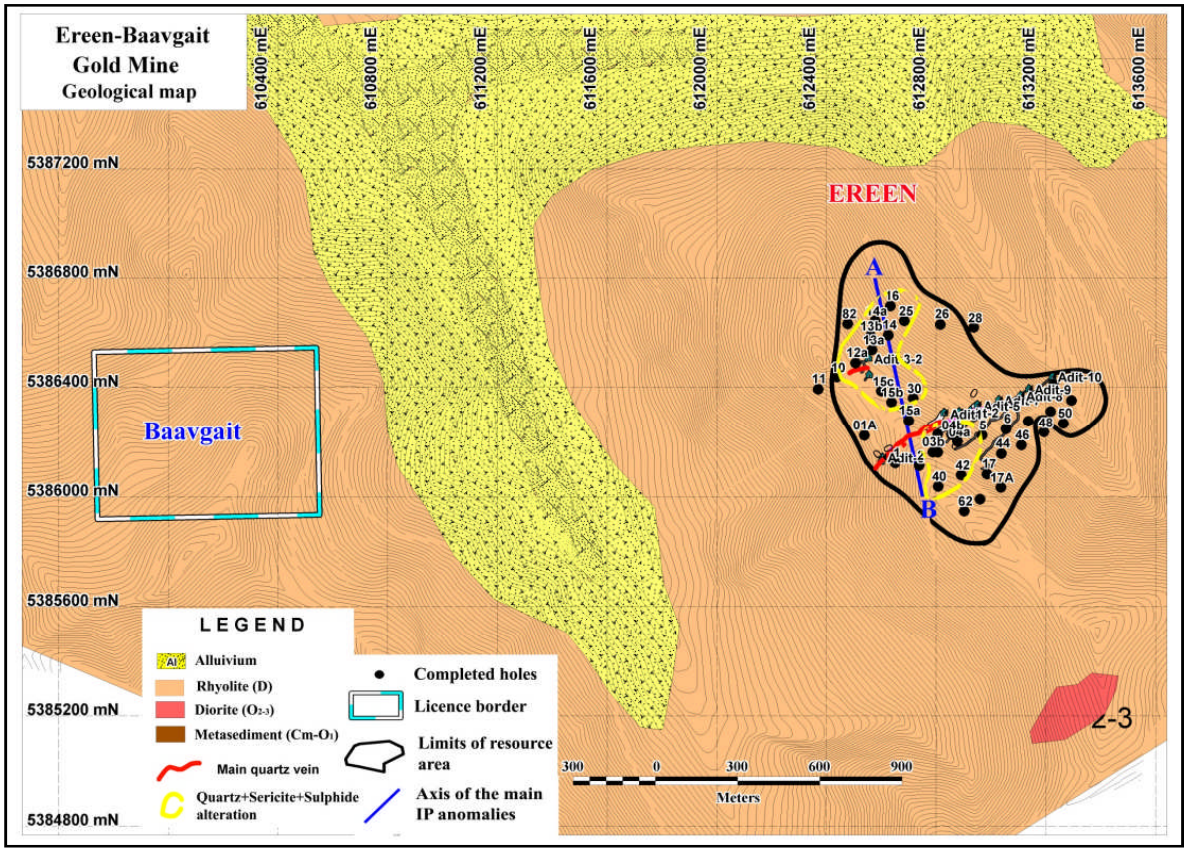

Figure 1.5: Ereen-Baavgait Local Geology

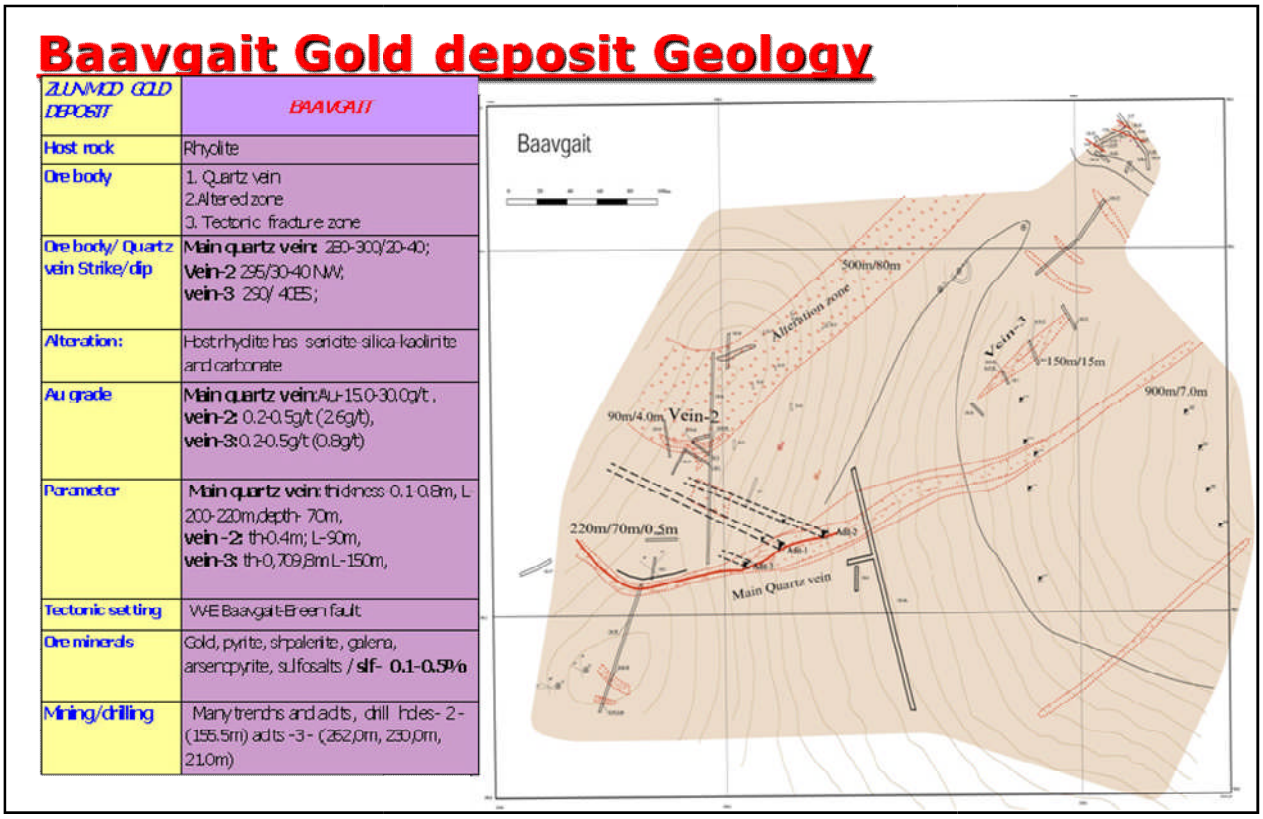

Figure 1.6: Schematic showing Location of Underground Adits at Baavgait

The Baavgait deposit has similar geology to Ereen, being associated with a large tectonic belt, trending northeast-southwest, located within the central part of Zuunmod quartz porphyry massif. The deposit is made up of quartz veins, together with a silicified zone containing gold-bearing sulphides associated with the fault zone or the rock affected by hydrothermal alteration.

Ore bodies are located along fractures inside the rhyolite porphyry, which is a direct continuation of that seen at Ereen. Hydrothermal alteration consists of sericitisation, silicification, pyritisation, carbonatisation. In rare cases, epidote and chlorite can be seen.

The width of the zone affected by hydrothermal alteration is typically 5-10m. The ore body associated with this alteration strikes to the NE at 14°, and dips to the SE at 31°; and is found over a distance of 258m.

1.4 Previous Work by CAML

1.4.1 Introduction

CAML has instigated a major exploration programme over the Ereen (and Baavgait) projects utilising soil geochemistry, core drilling and geophysics (in 2007) including magnetic and IP surveys at a scale of 1:10,000 which covered the principal areas of the Baavgait and Ereen gold deposits by average gradient and dipole methods. Underground sampling of historic adits was also undertaken.

These works are designed to target:

- Two main Au-quartz veins with Au grades in Vein No 1 from trace to 400g/t and in Vein No 2 averaging 14g/t;
- Au-bearing disseminated sulphide mineralisation with intensive alteration including potassic, quartz-sericite, propylitic and chlorite alteration zones with pyrite and arsenopyrite; Au grade in silica zone between 0.1-8.2g/t Au, in chlorite zone from 0.5-2.7g/t Au; and
- Au-bearing tectonic fracture zones.

1.4.2 Geophysical Surveys

1.4.2.1 Methods

Induced Polarisation (IP) was utilised to determine the boundaries of the sulphide mineralisation. A grid spacing of 200 x 50m was used with a line length of between 1,500-3,000m.

The ground magnetic survey, which was conducted by GEOSAN LLC, used a grid spacing of 100 x 50m and was performed using proton survey equipment GSM-19T manufactured by "Scintrex" in Canada.

1.4.2.2 Results

Ereen Northern and Southern Bodies

The results of the IP survey conducted in 2007 have shown a north-northwesterly striking anomaly, which has been subsequently proved by drilling to coincide with the Ereen gold mineralisation (Figure 1.7).

The Ereen IP anomaly outlines a mineralised area and reflects a considerable sulphide presence. The anomaly (Figure 1.7) is characterised by NNW strike and is inclined towards the same direction. IP profiles demonstrate that the IP gradient, rather than the anomaly itself, controls mineralised intervals as seen in exploration drill holes. The southern, western and north-eastern extensions of the anomaly were targets for a detailed IP survey conducted in September 2008.

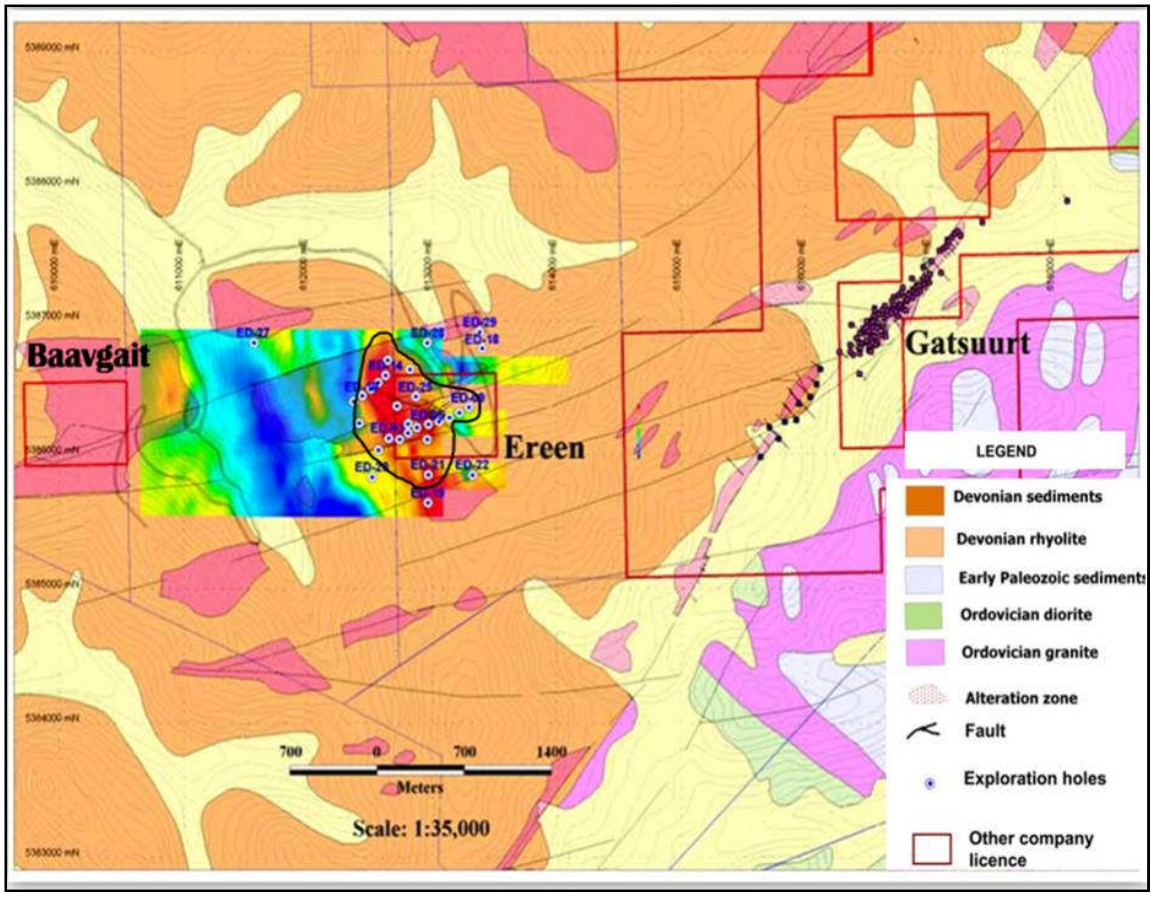

Figure 1.7: 2007 IP Survey Results

The IP chargeability anomaly outlines the Ereen gold mineralisation as demonstrated on the IP map at a depth of 50m (Figure 1.8), which includes the anomaly itself and surrounding zones of anomaly gradients.

The resistivity pattern reflects deep-seated zones of intensive silicification that can be developed along the structures.

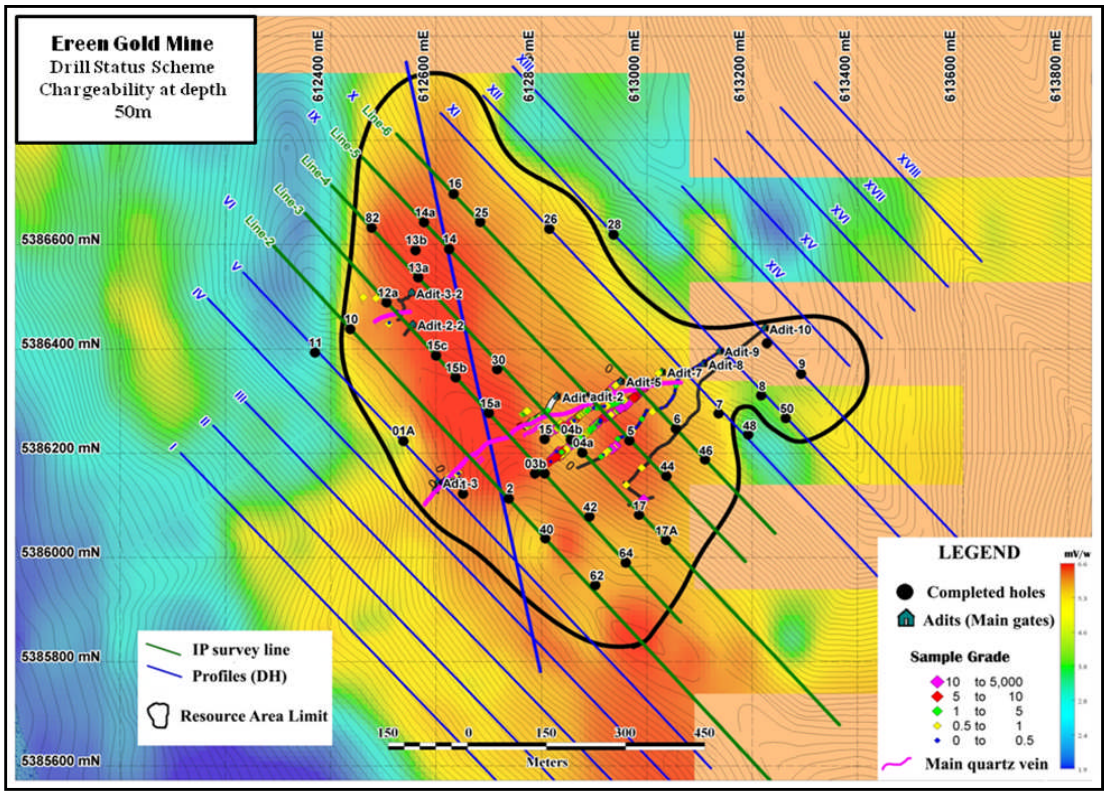

Figure 1.8: Ereen IP Chargeability Anomaly and Drillhole Locations

Resistivity zones most probably reflect east-west striking deep-seated intensive silicification, which follows the southeast dip direction of the main gold-bearing quartz vein system. The resistivity pattern also demonstrates a necessity to continue an IP-resistivity survey in a southerly direction.

Ereen South Eastern Extension

The recognition of the potential of the Ereen south-eastern extension for gold-bearing sulphide mineralisation is based on the spatial coincidence of high intensity magnetic and IP anomalies. The IP and magnetic anomalies of the main Ereen area can be traced to the

south east for more than 800m with widths varying from of 260-500m (Figure 1.9); the 3D view of basic block model is shown in Figure 1.10.

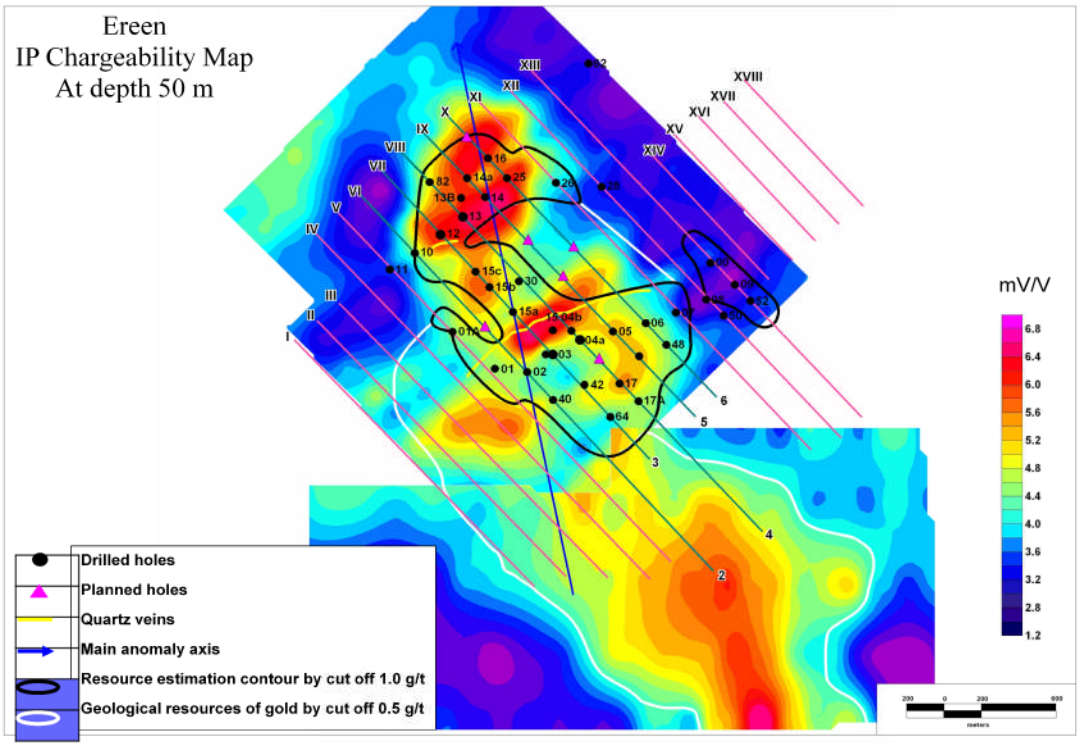

Figure 1.9: Ereen Chargeability Survey Showing South Eastern Extension

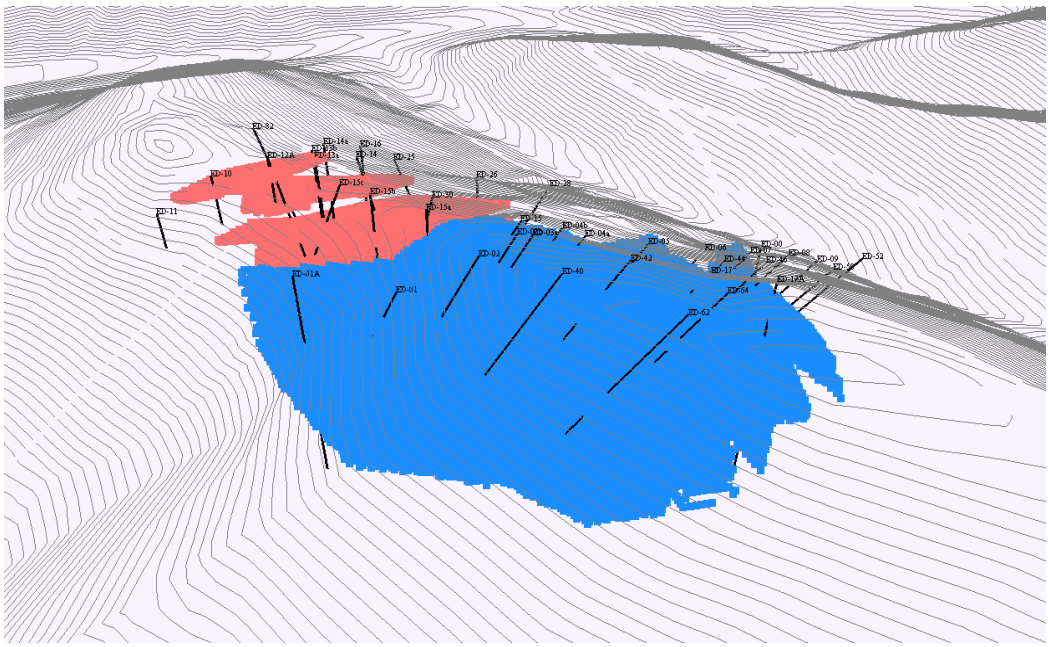

Figure 1.10: Ereen Resource Area Block Model (3D View)

South Eastern Extension (Blue)

1.4.2.3 Soil Geochemistry

A geochemical survey was conducted between May and September 2007 with 365 stream and soil samples collected in and around the Ereen – Baavgait area. The soil sample results are shown on Figure 1.11 below.

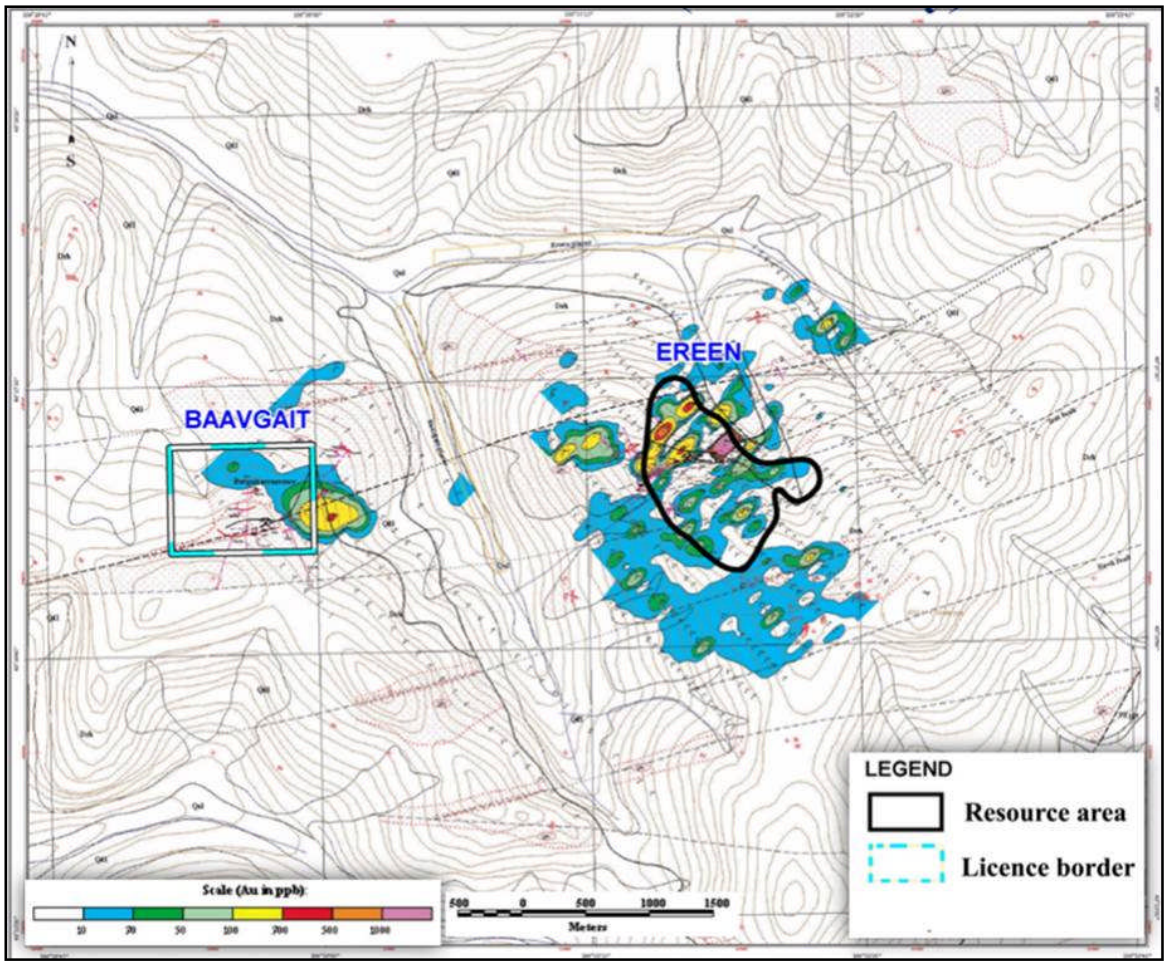

Figure 1.11: Soil Geochemistry Results

At that time, five geochemical associations were identified: Au-As, Pb-Zn-Cu, Ba-Sr-Be, Mn-K-V-Cr, and Ti-Na. A multi-stage gold deposition is reflected in this complex correlation pattern, with low Au grades (≤ 20ppb) correlating with Ba, K, Mn; medium level grades – with Cu, Cr; and high grades mostly with As and locally with Pb-Zn.

The Ereen deposit geochemical anomaly, which has a north eastern strike, has a Au-Pb-Zn-Cu signature and occurs inside the zone of north-easterly striking regional fault.

Gold-in-soil anomalies occur in the northern part of the Ereen area and coincide with intense mineralisation as defined by drilling and with a deep-seated IP anomaly. Thus, the geochemical anomalies of the Ereen area are considered to be highly indicative of mineralisation and are open for further exploration to the northeast and southwest.

The Baavgait geochemical anomaly is hosted by intensely altered rhyolites traced for nearly 1000m in an east-west direction with approximately 100m thickness, though the anomaly remains open to the west and east.

1.4.3 Drilling Programme (2007-2008)

1.4.3.1 Introduction

Drilling at Ereen started in September 2007 and continued throughout 2008; three drilling contractors, Mongolian, Korean and Canadian companies were used by CAML. Drilling was performed using HQ (76mm) and NQ (59mm) double tube core barrels and Boart Longyear downhole gear. The core was of good quality and observed recoveries were very good. The preferred contractor was the Canadian company Landdrill, which drilled 35 out of the 44 holes.

The aim of the drilling programme was to outline resources, with drill holes targeted by intensive gold-in soil anomalies and by chargeability anomalies.

In all a total of 44 drill holes totalling 10,000m of drill core were completed. From this work, the mineralised area was broadly defined.

WAI considers that the drilling contractors who operated at Ereen appeared to be highly professional, producing and handling core and down hole surveying in a diligent manner.

1.4.3.2 Geological Logging

Diamond core was logged using a standard logging sheet by a team of two experienced geologists who had a good understanding of the mineralisation types. The logs contain additional columns for mineralisation and alteration styles to allow a more pictorial representation of the key elements of each drill hole. The core was logged in a newly built

large, heated, core laboratory. The core loggers paid special attention to hydrothermal alteration types in order to determine the paragenesis.

1.4.3.3 Core Sampling and Sample Transport

Once the core was cut, it was sampled by the geologist in charge of the hole. The sample interval used was typically 2m in length. Sample details (drill hole number, interval and lithology) were recorded in a ticket book and a ticket number placed in each sample bag.

Drill core was then placed into numbered cloth sample bags and these were inserted inside larger bags for transport to the lab in Ulaan Baatar. CAML sealed all samples with tamper-proof clip-lock seals and Actlabs supplied a written confirmation to CAML that a batch of samples had arrived with tamper proof seals intact. This provided CAML with an independent record detailing an appropriate chain of custody.

1.4.3.4 Sample Storage

Core and preparation sample rejects were stored in a separate facility in Ulaanbaatar. Core boxes were arranged by drill hole, well labelled and each box sealed with a plywood top. Sample rejects were stored by drill hole in cloth bags. The storage shed was well organised, clean and secure.

1.4.3.5 Sample Preparation and Assaying

The original drill core was cut with a diamond saw at the site before being shipped to ActLabs in Ulaanbaatar for sample preparation and subsequent assaying. One half of the core was used for assaying; whilst the other half remained as a duplicate at the Ereen core storage facility. The core storage boxes were numbered and sealed with the plastic and plywood.
CAML inserted 1 standard and 1 blank to every twenty samples as a part of the QA & QC procedures. Blank samples were used to test the sample contamination during the sampling, preparation and analytical process.

The standards were purchased from the Actlabs Ltd, an ISO 17025 and CAN-P-1579 certified laboratory located at 36 Engels St., Bayangol District, Ulaanbaatar, Mongolia. A number of

gold standards were chosen for the Ereen programme and each one was analysed by CAML several times. The average deviation and standard deviation were calculated for each standard and subsequently used to evaluate the accuracy of the results via time plots.

The sample preparation was done at ActLabs in Ulaanbaatar, Mongolia. Core samples were assayed using an acid digestion process followed by AAS. The sample preparation and assay preparation facilities were staffed by experienced personnel and the laboratory manager had a solid understanding of QA & QC issues.

The quality of the analytical work performed was reviewed. The results were considered to be acceptable. The standards performed well, with only 5% failing. The accuracy of Actlabs gold results was considered acceptable.

WAI considers that the check analyses of duplicates performed at the different labs at that time were within accepted limits.

1.4.3.6 Ereen Drilling Results

The drilling programme was initiated to verify the ore zone identified by earlier geologists and the latest geophysical and geochemical anomalies.

As a result, the following holes were found to be mineralised (Figure 1.12): ED-14, ED-12a, ED-25, ED-16, ED-40, ED-64, ED-62, ED-30, ED-15, ED-15b, ED-15a, ED-42, ED-13b, ED-14a and ED-17.

Holes ED-03, ED-04 and ED-13, drilled in winter, were re-drilled in order to increase the depth; the maximum depth was 135m prior to re-drilling. These re-drilled holes were renamed ED-04a, ED-03a and ED-13a. Later, these holes were relocated by 30-50m and drilled in order to verify the mineralisation, alteration and geophysical section and numbered ED-04b, ED-03b and ED-13b.

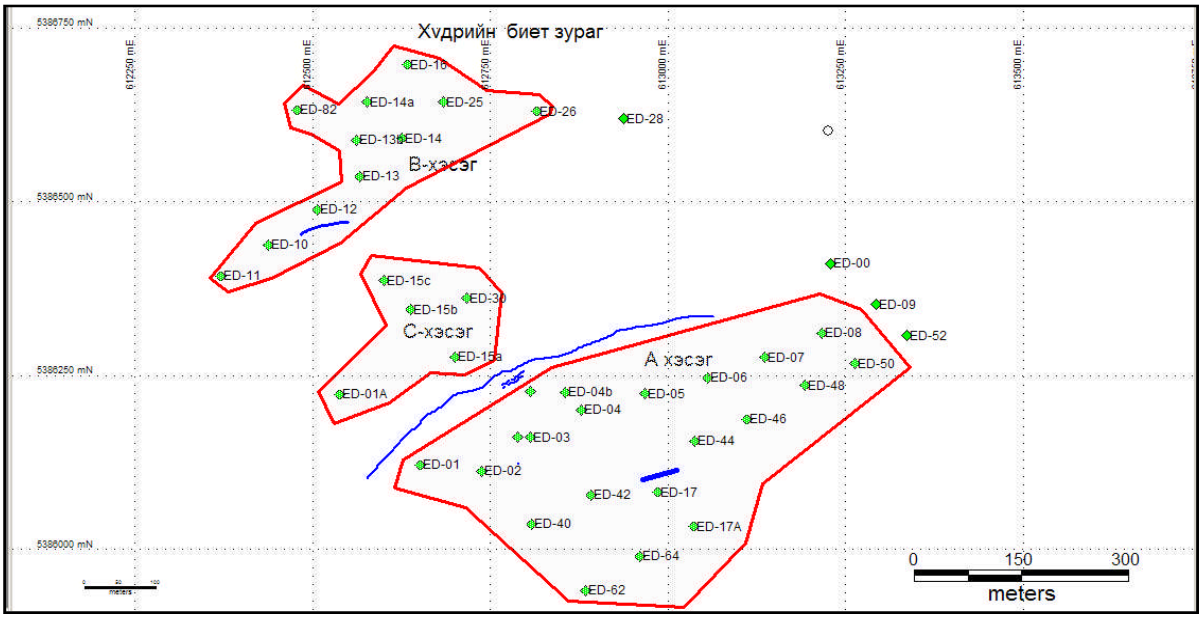

Figure 1.12: Mineralised Zones, Ereen

Some of the good gold intersections included:

ED-17 45-46m, 1m @ 2.54g/t; 94-98m, 4m @ 1.75g/t, and 210-217, 7m @ 1.66g/t.

ED-40 206-215m, 9m @ 3.37g/t (included three intersections >5g/t Au which have been ascribed values of 5g/t). Photo 1.1 shows coarse gold in a silicified zone at 212m in ED-40.

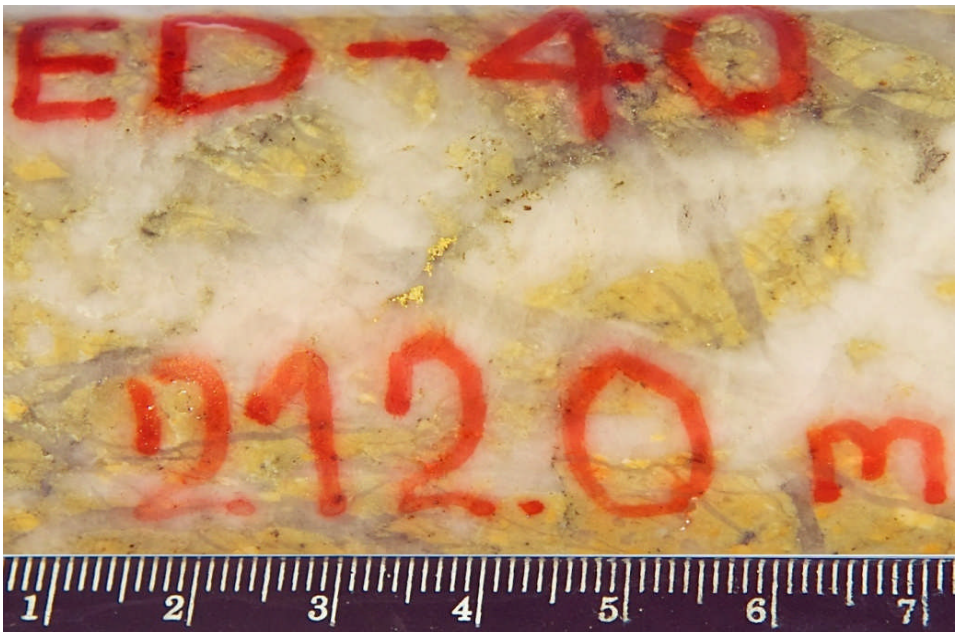

Photo 1.1: Coarse Gold in Silicified Zone, ED-40

One of the principal results of the drilling was the realisation that the gold mineralisation was related to the gradients of the IP anomaly and not the high intensity centre of the anomaly which may well be related to sulphidic mineralisation.

From these works, it was possible to divide the mineralisation up into three parts as follows:

Part A or Orebody 1 - this mineralisation zone in the southeast of the area was defined by holes: ED-01, ED-02, ED-03, ED-04, ED-04a, ED-05, ED-06, ED-07, ED-08, ED-17, ED-17a, ED-40, ED-42, ED-44, ED-46, ED-50, ED-62 and ED-64. Holes ED-00, ED-09 and ED-52 were excluded from this list since they contained no considerable mineralisation and ore bearing alteration was insignificant. CAML considered that deeper (350-450m) holes should be drilled in order to verify the presence of mineralisation.

Part B or Orebody 2 - this zone in the northwest of the area was delineated by drill holes: ED-13a, ED-13b, ED-14, ED-14a, ED-16, ED-25 and ED-82. Also 3 more drill holes ED-10, ED-11 and ED-12 were drilled but no prospective gold mineralisation was observed, though CAML believes that these holes were not drilled deep enough to intersect gold mineralisation. The main orebody B was characterised by the results of drillholes ED-25, ED-16 and ED14a. In addition, further drill targets were considered to lie at depth, peripheral to holes ED-26 and ED-28.

Part C or Orebody 3 - although there is no indication of outcropping mineralisation, results of a few holes, drilled to verify the geophysical anomaly, showed prospective gold mineralisation. It is possible that a 1-5m thick orebody with grades higher than 5g/t Au may be present as indicated by holes ED-15c, ED-15a, ED-15b and ED-30, and as such continued drilling was recommended in this zone.

WAI considers that the exploration works undertaken at Ereen at that time showed significant mineralisation in and around the existing known vein gold mineralisation. Exploration work had delineated a mesothermal quartz vein system with volcanic-hosted disseminated mineralisation associated with quartz-sericite-carbonate and intensive silicification alteration zones. The area has approximate dimensions of 750 x 650m and assay results indicated gold mineralisation averaging >2g/t Au.

Geophysical and geochemical data appear coincident, though drilling has shown that it was the gradient areas of the IP anomalies which appeared most prospective. This has meant that some early holes did not intersect mineralisation, but the more recent holes in the programme were better targeted.

From this drill programme, the mineralisation remained open at depth and was not properly closed off laterally. Furthermore, no drilling was undertaken at Baavgait, or in the zone between the two prospects which may yield additional mineralisation.

1.4.4 Drilling Programme (2009)

Further drilling was conducted at Ereen and Baavgait during 2009, by the Canadian drill contractor Landdrill, utilising the same equipment as was utilised in the 2008 programme. WAI understands that CAML adopted exactly the same logging, core cutting, sampling and analysis methodology that is described in section 5.4 above. The location of the drill holes (planned for and drilled in 2009) is given in Figure 1.13 below.

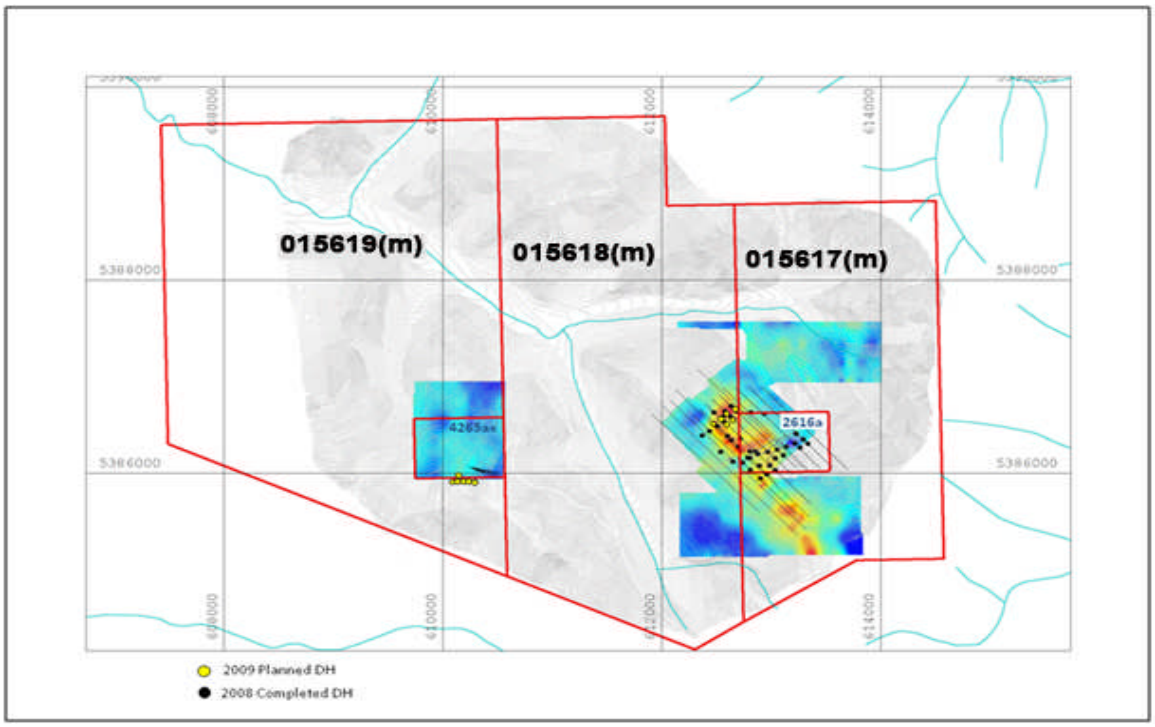

Figure 1.13: Location of 2009 Drill Holes at Ereen and Baavgait

(Marked as yellow dots now completed - Scale between grid lines 2km)

A total of 4 additional holes were drilled at Ereen totalling 1,249.55m and 5 holes drilled at Baavgait totalling 542.85m. The drill programme is summarised in Table 1.3 below.

Table 1.3: Summary of Drilling (2009)						
Month Drilled	**Number of drill hole**	**Depth of Drill Hole**	**Recovery**	**Direction**	**Dip angle**	**No. of Samples**
June 2009	ED-12-1	299.50	98.20	140	-60	212
	ED-13-1	340.00	96.30	140	-60	279
	ED-13-2	310.20	98.90	140	-60	212
	ED-14-2	299.85	96.80	140	-60	219
Sub total		**1,249.55**				**922**
July 2009	BD-4	300.00	97.80	250	-60	196
	BD-5	59.10	98.95	250	-60	33
	BD-6	62.30	95.30	250	-60	44
	BD-3	61.10	98.00	250	-60	54
	BD-7	60.35	95.20	250	-60	40
Sub total		**542.85**				**367**
Total		**1,792.40**				

1.4.4.1 Baavgait Drilling Programme

Five holes (Hole Nos. BD 3-7) were drilled to intersect the structure identified in the exploration adits and defined by a strong chargeability (IP) anomaly.

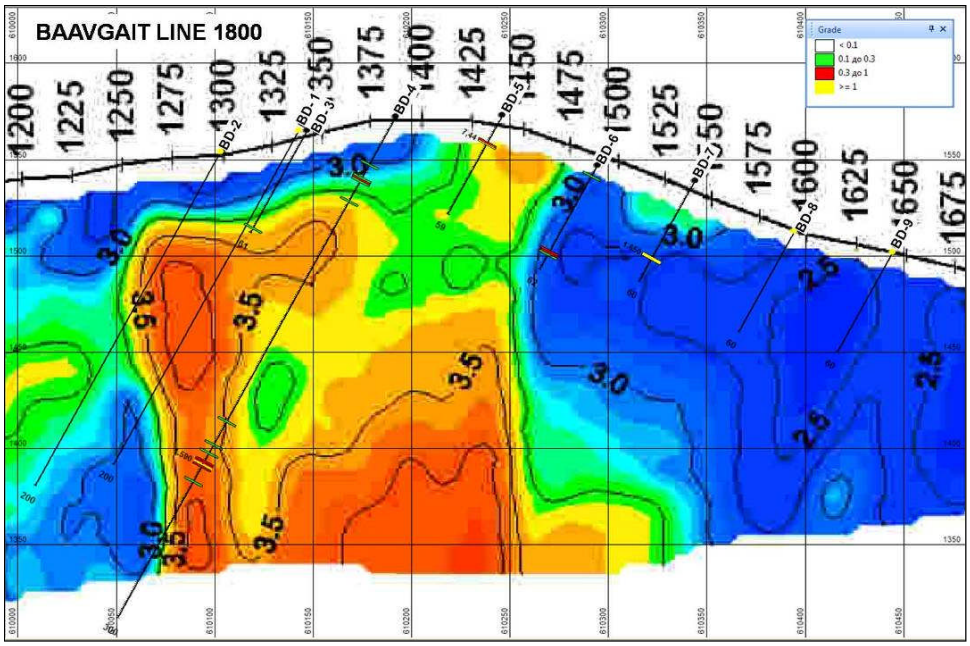

Figure 1.14: Cross Section showing Location of Drill Holes in Relation to Chargeability Anomaly

At Ereen four holes were drilled numbered ED-12-1; ED-13-1; ED-13-2 and ED-14-1 (see location plan in Figure 1.15). A summary of the best intersections is given in Table 1.4 below.

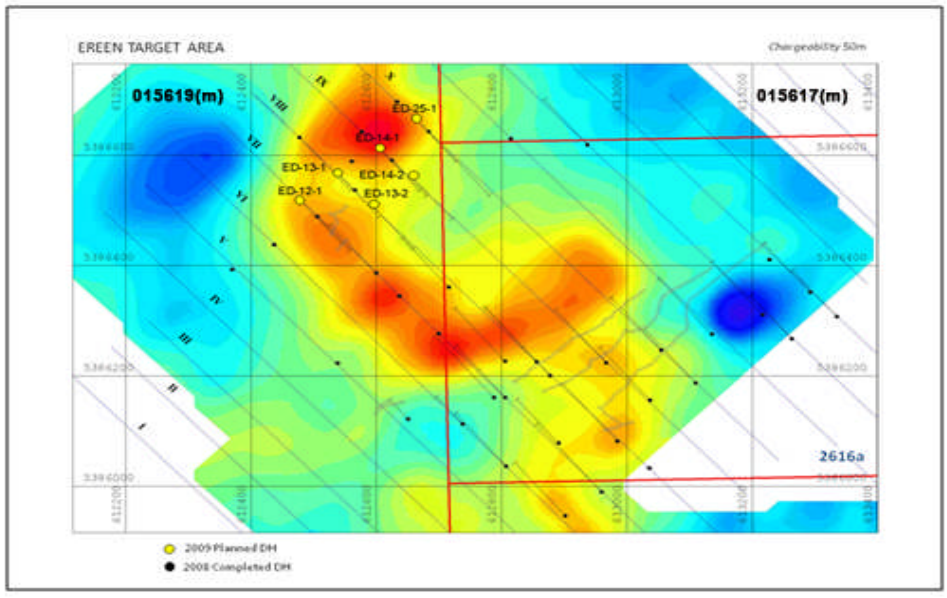

Figure 1.15: Location of 2009 Drill Holes at Ereen (Yellow dots)

Table 1.4: Summary of 2009 Drill Hole Intersections

Hole Number	From (m)	To (m)	Width (m)	Au g/t	Comments
ED-12-1	30.0	32.0	2.0	3.85	Light rhyolite; moderately to weakly silicified and sericitic. Numerous narrow quartz veinlets.
		including	1.0	5.78	
ED-12-1	54.0	56.0	2.0	0.75	Light rhyolite; weakly silicified; no sulphide impregnation.
		including	1.0	1.04	
ED-12-1	68.10	68.8	0.7	0.35	Light rhyolite; weakly silicified, potassic feldspar.
ED-12-1	77.8	79.0	1.2	0.53	Light rhyolite; moderate to weakly silicified; weakly oxidised in fractures; comprises impregnations of sulphides.
ED-12-1	87.0	88.0	1.0	0.31	Light green rhyolite
ED-12-1	105.0	106.0	1.0	0.42	Weakly silicified and potassic alteration; impregnations of sulphides.
ED-12-1	147.4	148.0	0.6	5.06	Light yellow rhyolite; moderately silicified and sericitised.
ED-12-1	197.0	198.0	1.0	1.53	Green to light rhyolite; many narrow quartz veinlets and weakly oxidised in fractures.
ED-12-1	227.0	229.0	2.0	0.99	Light rhyolite; narrow quartz veinlets with impregnations of sulphides.
		including	1.0	1.52	
ED-12-1	271.0	273.0	2.0	0.54	Light rhyolite.
ED-12-1	280.0	285.0	5.0	1.19	Light to grey rhyolite; moderately to weakly silicified.
		including	1.0	2.68	
ED-13-1	17.0	18.0	1.0	0.5	Light brown rhyolite porphyry; moderately oxidised in fractures; weakly silicified; quartz veins and veinlets.
ED-13-1	68.0	69.0	1.0	0.45	Reddish light rhyolite; weakly to moderately k spathised and silicified
ED-13-1	107.0	108.0	1.0	0.34	Reddish grey rhyolite porphyry; many quartz vein and veinlets; weak potassic-alteration, weakly oxidised in fractures and veinlets.
ED-13-1	112.0	115.0	3.0	0.68	
		including	1.0	1.29	
ED-13-1	118.0	120.0	2.0	0.32	
ED-13-1	122.0	123.0	1.0	0.33	
ED-13-1	141.0	144.0	3.0	0,66	Light grey rhyolite porphyry; weak potassic alteration; and silicified; many quartz vein and veinlets
		including	1.0	1.09	
ED-13-1	188.0	190.0	2.0	0.83	Light rhyolite; weakly to moderately silicified and weak potassic alteration; many narrow quartz vein and veinlets; some stockworks.
		including	1.0	1.36	
ED-13-1	193.0	200.0	7.0	1.88	
		including	4.0	2.89	
ED-13-1	206.0	210.0	4.0	2.05	
		including	3.0	3.99	
ED-13-1	218.0	226.0	8.0	0.86	
		including	1.0	1.57	
		including	2.0	1.14	
ED-13-1	249.0	250.0	1.0	0.62	Light brown rhyolite; weakly silicified; sulphides.
ED-13-1	270.0	272.0	2.0	0.43	Light brown to light grey rhyolite; weakly silicified; many narrow quartz veinlets; weakly oxidised fractures.
ED-13-1	310.0	312.0	2.0	0.65	Light rhyolite porphyry. Potassic alteration and silicification; cut many narrow quartz vein and veinlets; quartz veinlets following sulphidation; @308-313m weakly oxidised in fractures.
		including	0.3	1.14	

1.5 Mineral Resources

1.5.1 Kazakhstan Mining Company (2008)

A preliminary Mineral Resource estimate was made for the Ereen deposit by Kazakhstan Mineral Company, based in Almaty, in October 2008, utilising the Micromine® version 10.1 software.

1.5.1.1 Summary of Results

Given the relatively limited data available at that time, it was not possible to derive a geostatistical (kriging) estimate for Ereen, although the commonly used IDW^2 method proved acceptable.

However, the existing density of the exploration grid (pattern) determined that the majority of the Mineral Resource was classified at *Inferred* status (more than 98%) (In accordance with the guidelines of the JORC Code (2004)), though the deposit showed sufficient magnitude and tenor to warrant further study.

Thus, using a 1g/t Au cut-off, an *Inferred* resource of 9.7Mt @1.73g/t Au was estimated, with a further 57kt @ 1.43g/t Au in *Measured + Indicated* (See Table 1.5 below).

Additional geological resources were estimated for the Ereen south-eastern extension of 34.1t Au (1.1 Moz Au) @ an average grade of 1.57g/t Au (0.5g/t Au cut-off) and 24t Au (771,670oz Au) @ 1.0g/t Au cut-off). These figures are based on an area of 756,140m^2 and an average mineralised interval thickness of 10.65m.

The preliminary resource estimate prepared by Kazakhstan Mining Company indicated the approximate scale and grade of the Mineral Resource which was still open both along strike and down dip. WAI reviewed the resource methodology and was satisfied that given the exploration nature of the data, the procedures adopted were appropriate and results obtained accurately derived.

However, it was evident at that time that considerable additional drilling was required to both expand the resource base and infill the existing drill pattern to provide more confidence in the resource base.

Table 1.5: Ereen Mineral Resource Estimate (Kazakhstan Mining Company, 2008) (In accordance of the guidelines of the JORC Code (2004))

Cut-off grade	Volume (m^3)	Ore (t)	Au (g/t)	Category	Metal (kg)
3	217,075	586,102.5	3.672	*Inferred*	2,152.4
2.5	392,225	1,059,008	3.246	*Inferred*	3,437.1
2	1,053,300	2,843,910	2.564	*Inferred*	7,293.2
1.5	1,926,275	5,200,943	2.191	*Inferred*	11,396.4
1	**3,609,850**	**9,746,595**	**1.73**	***Inferred***	**16,861.4**
0.5	7,307,700	19,730,790	1.211	*Inferred*	23,888.7
0.3	9,308,850	25,133,895	1.04	*Inferred*	26,126.9
0	9,844,250	26,579,475	0.996	*Inferred*	26,461.5
					0
3	0	0	0	*Indicated*	0
2.5	225	607	2.68	*Indicated*	1.6
2	225	607	2.68	*Indicated*	1.6
1.5	7,275	19,642	1.721	*Indicated*	33.8
1	**18,725**	**50,557**	**1.408**	***Indicated***	**71.2**
0.5	63,525	171,517	0.822	*Indicated*	141.1
0.3	68,875	185,962	0.789	*Indicated*	146.6
0	93,250	251,775	0.638	*Indicated*	160.5
					0
3	0	0	0	*Measured*	0
2.5	0	0	0	*Measured*	0
2	0	0	0	*Measured*	0
1.5	0	0	0	*Measured*	0
1	**2,550**	**6,885**	**1.443**	***Measured***	**9.9**
0.5	13,825	37,327	0.873	*Measured*	32.6
0.3	23,125	62,437	0.705	*Measured*	44
0	26,925	72,697	0.624	*Measured*	45.3

Inaccuracies may be due to rounding

CAML completed a short programme of drilling in 2009, which consisted of 4 additional holes at Ereen totalling 1,249.55m and 5 holes at Baavgait totalling 542.85m. This additional drilling was required to enable an application to be made to the Mongolian authorities for a mining licence, which WAI understands is in due process of acceptance.

The short drilling programme at Ereen did not intersect mineralisation that has materially altered the Mineral Resource estimate above which was completed by Kazakhstan Mining Company in 2008. Therefore this statement remains current.

1.6 Mining and Metallurgy

No work has been undertaken on the potential mineability of the mineralisation, though the geometry, size and depth of the mineralisation with respect to the topography would tend to indicate an open pit operation.

WAI is not aware of any testwork results for the Ereen mineralisation.

1.7 Environmental Issues

The "Environment Protection and Rehabilitation Plan" was introduced to all contractors at the exploration site which promoted good environmental practice. In particular, it stipulated the following:

- Minimise the number of roads in the area;
- Avoid disturbance of any archaeological remains present;
- During the drilling programme, no discharge to the Zuun mod and Ereen rivers and streams should be made;
- After exploration drilling is completed, the surface around the site should be returned as near as possible to the original with seeding where necessary; and
- Cap drill holes unless a requirement to leave open is necessary whereby they would be made safe.

As part of this programme, CAML in the form of "Zuunmod Uul" LLC, shall deposit 50% (600,000 MNT) of the budgeted cost stated in 'The Environmental Protection and Rehabilitation Plan', to the bank account of The Governor's Office of Mandal soum, Selenge aimag as a guarantee for the fulfilment of its obligations arising in connection with environmental protection on a refundable basis. This amount will be refunded provided that there is no damage, and that the drill sites are properly re-instated to the satisfaction of the Mandal soum administration or state environmental inspector.