TERRA STUDIO

Private - Unlisted

BMC (UK) LIMITED

Company Research

25th May 2020

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Asset and Management Quality Warrants Development Financing

World Class Asset: Within polymetallic deposits, volcanic massive sulphides or VMS typically present the best grades, but can be limited in size. The proposed Kudz Ze Kayah project in Yukon has both the size (15.7 Mt ore reserve) and a valuable combination of base and precious metal grades (Zn, Cu, Pb, Ag, Au) to stand out among its peers.

Feasibility Study: BMC (UK) Ltd through its subsidiary BMC Minerals (No.1) Ltd, has released the results of a Definitive Feasibility Study in July 2019 at the proposed Kudz Ze Kayah mine.

Mining Development: While most VMS deposits are typically mined underground, the Kudz Ze Kayah mineral resource is close to surface and mostly amenable to open pit mining (ore reserve of 14.0 Mt out of 15.7 Mt total).

Processing: Ore processing will follow a conventional crush, grind and float producing three concentrates, zinc, lead and copper with substantial gold and silver by-product credits.

Costs: size, grade and mining method translate into highly competitive capital cost (US$387m), capital intensity and operating costs (first quartile on the zinc cost curve).

Board and management have extensive mineral industry experience with a track record of successfully financing, permitting, building and operating similar projects: e.g. the Jaguar copper-zinc mine in Western Australia.

Funding: BMC is well funded with the support of its existing shareholders. Mining banks and other financial institutions have initiated discussions about project financing.

Permitting: the next step in progressing the project is the completion of the environmental and regulatory approvals over the next 18 months, while working in parallel on detailed engineering and negotiating a funding package with mining banks and other financial institutions.

Valuation: Three price scenarios have been considered as detailed below. The 10-year cycle low scenario demonstrates the robustness of the project and the Consensus scenario validates the results of the DFS.

Kudz Ze Kayah Project Valuation under Various Metal Price Assumptions

Scenario	Unit	Current	10-year low	Consensus*	DFS*
Zinc	US$/lb	0.90	0.70	1.11	1.10
Copper	US$/lb	2.40	2.10	3.10	3.15
Lead	US$/lb	0.74	0.70	0.91	0.95
Gold	US$/oz	1,736	1,357	1,543	1,321
Silver	US$/oz	17.7	13.5	17.9	18.1
CAD/USD	x	0.71	0.69	0.78	0.78
Post-Tax NPV, 7%	US$	**$427m**	**$142m**	**$537m**	**$523m**
Post-Tax IRR	%	35.8%	18.2%	39.1%	39.1%
Zn cash costs	US$/lb	(0.26)	0.01	(0.28)	(0.25)
Ag cash costs	US$/oz	(15.9)	(6.5)	(22.0)	(21.3)
Zn AISC	US$/lb	(0.09)	0.12	(0.09)	(0.06)
Ag AISC	US$/oz	(11.1)	(3.3)	(16.4)	(15.8)

*Source: BMC, Terra Studio, * metal prices from year 2024*

Upside: The KZK project is within the Finlayson Lake District where numerous VMS occurrences and six deposits have been discovered so far. The six deposits discovered in the district to date, ABM, GP4F, Kona, Ice, Wolf and Wolverine, collectively contain in excess of 40 Mt of base metal mineralization.

BMC MINERALS

Board

Gary Comb	Chairman
Scott Donaldson	CEO & Executive Director
Neil Martin	Executive Director
GNRI	three Directors including David Ellis

Management

George Smith	Group Engineer
Julian Tambyrajah	Chief Financial Officer

Key DFS parameters and results

Ore reserve	15.7 Mt
including open pit	14.0 Mt
with strip ratio	9.9 : 1
Throughput	2 Mtpa
Zinc grade	5.81%
Copper grade	0.86%
Lead grade	1.69%
Gold grade	1.32 g/t
Silver grade	137.4 g/t
CAD/USD exchange rate	0.78
Capital expenditure	US$387 million
Mining cost	US$15.7/t processed
(or	US$3.78 t rock)
Processing cost	US$15.7/t processed
Other costs	US$84.8/t processed
including TC/RC, royalties	
NPV @ 7%	US$523 million
IRR	39.1%
Mine life	9 years
Production	from 2022F
Zinc cash cost	(US$0.35/lb)
Silver cash cost	(US$21/oz)
Zinc AISC	(US$0.06/lb)
Silver AISC	(US$16/oz)

BMC (UK) Limited is currently developing the Kudz Ze Kayah project in south east Yukon, Canada. The project is expected to produce high grade zinc, copper and lead concentrates with significant gold and silver credits.

The recommendations and opinions expressed in this research report accurately reflect the research analyst's personal, independent and objective views about any and all the companies and securities that are the subject of this report discussed herein.

For important information, please see the Disclosure & Disclaimer sections at the end of this document.

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1. BMC Valuation

Project Portfolio

BMC hold 1897 Mineral Claims covering a total area of ~345 km^2 in SE Yukon (see Figure 1.1). The claims are either 100% held by BMC, or under option (Kona claim block) from Pacific Ridge Exploration (TSX-V: PEX).

BMC Tenure

Claim Block	No. Of Claims	Area
Kudz Ze Kayah	879	~160 km^2
Pelly	422	
Wolf	18	
Kona	161	~185 km^2
Tsa da Glisza	121	
Other	296	
Total	1,897	~345 km^2

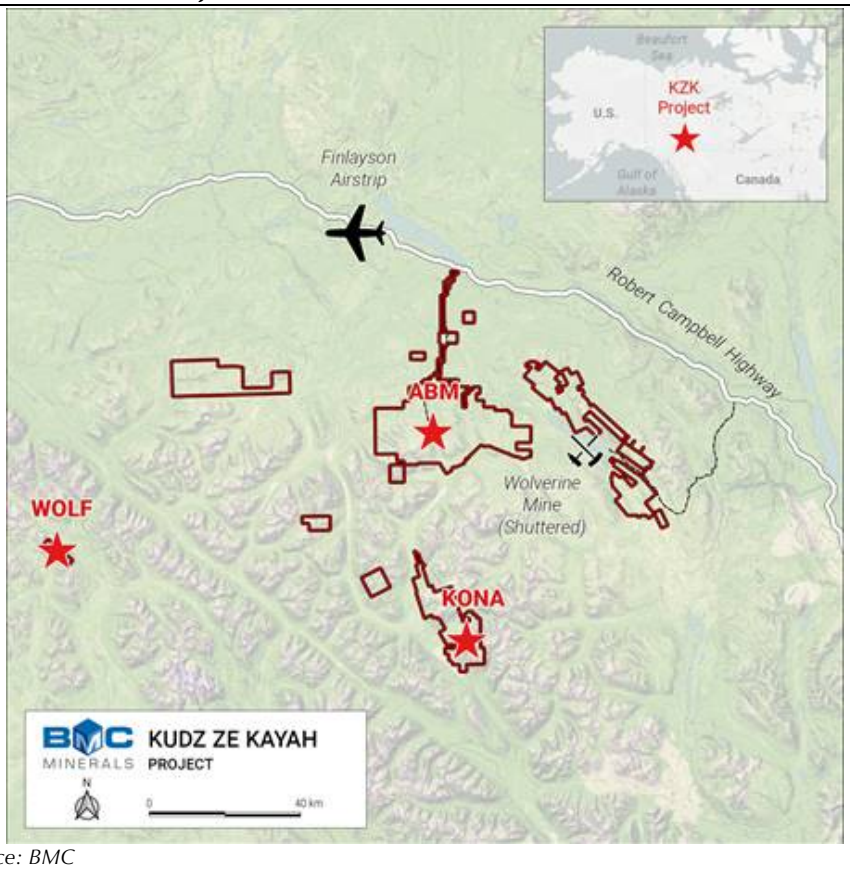
Source: BMC

Of note:

- Kudz Ze Kayah is host of the ABM Mine and Krakatoa mineral resources (NI 43-101 compliant) and the GP4F mineral resource (not NI 43-101 compliant).
- Pelly is host to the down-dip extension of the Wolverine deposit (owned by Yukon Zinc),
- Wolf is host to the Wolf mineral resource,
- Kona is host to the Kona mineral resource, and
- The Other claims were recently acquired from Arcturus Resources.

This report is focused on the Kudz Ze Kayah or KZK project.

Figure 1.1 - BMC Project Portfolio



Source: BMC

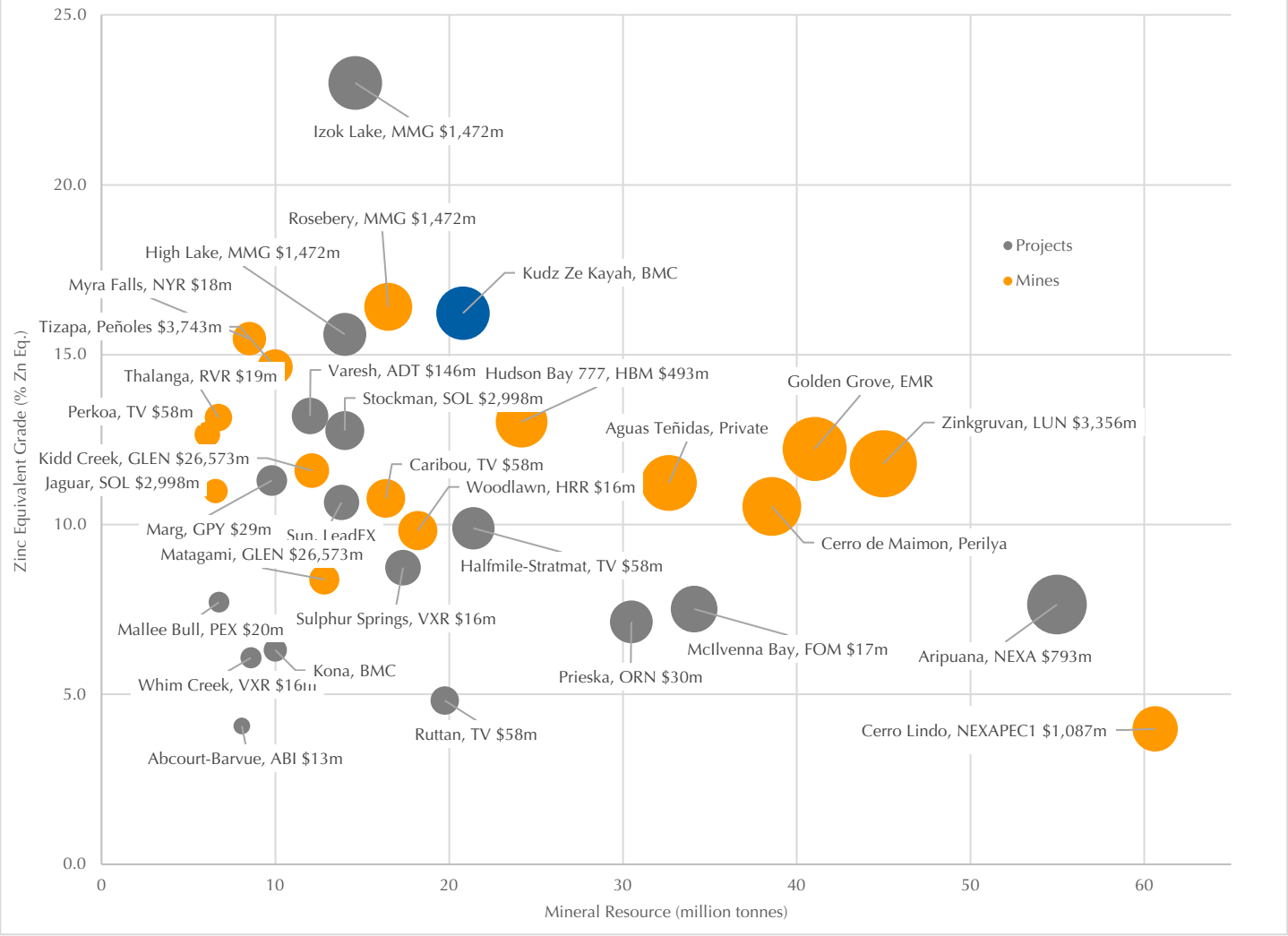
The KZK project lies within the traditional territory of the Kaska First Nation. The KZK project is covered by a Socio-Economic Participation Agreement (SEPA) that includes all Kaska First Nations.

Peer Comparison

BMC is a private company and as such does not have a market value or market capitalisation. Nevertheless, we have selected a number of projects/companies with the following criteria:

- Volcanic Massive Sulphide (VMS)
- In excess of 5 million tonnes of mineral resource (defined in the last 10 years)
- Preferably with zinc dominant mineralisation
- Preferably in a Tier 1 jurisdiction
- Market capitalisation above US$10 million (if listed)

Figure 1.2 – Selected VMS projects with Owner and Market Capitalisation



Source: Terra Studio. Bubble size relates to zinc equivalent metal content in mineral resources

Figure 1.2 indicates that based on the criteria of mineral resource size and grade, the closest comparable projects to Kudz Ze Kayah are either in the hands of mid-cap companies or majors with multiple assets or in private hands.

While it is difficult to use such information to support a market valuation of BMC, the chart highlight the quality of the asset, which could attract the interest of a larger player in the future.

Financial

BMC does not disclose any financial information.

BMC receives the on-going financial support of its shareholders in the form of a 'line of equity' with draw-downs as required subject to business agreements.

Valuation

Most of the value of BMC (UK) Limited currently resides with the Kudz Ze Kayah project. Using different price scenarios detailed in Section 4, we have derived a series of values for the Kudz Ze Kayah project as follows:

Kudz Ze Kayah Project Valuation under Various Metal Price Assumptions

Scenario	Unit	Current	10-year low	Consensus*	DFS*
Zinc	US$/lb	0.90	0.70	1.11	1.10
Copper	US$/lb	2.40	2.10	3.10	3.15
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*Source: BMC, Terra Studio, * metal prices from year 2024*

Using the currently depressed metal prices (except for gold), the KZK project shows very resilient post-tax NPV and IRR.

While improbable and quite extreme, the 10-year low price scenario demonstrates the robustness of the project during a hypothetical extended base metal prices downturn.

The Consensus and DFS price scenarios have similar metal price assumptions (from 2024) for zinc. The Consensus is expecting lower metal prices for copper, lead and silver, but higher for gold. The results of those two scenarios are quite similar, supporting the validity of the DFS assumptions and results.

Progressing permitting and project financing is seen as a key catalyst to de-risking the project and creating further shareholder value.

The values above exclude the exploration upside. With a number of desposits already identified and other occurrences discovered in the vicinity of the KZK project, the exploration/production appears substantial, although by its nature, exploration is speculative and upside is subjective to determine.

2. BMC Strategy

The key elements of BMC's strategy are as follows:

1. Executive and management team with a track record of discovery, development and operation of zinc and other base metals projects worldwide
2. Identification and development of quality projects within regions with highly established mining codes
3. Operate within social license and progress active community commitment structures in terms of direct employment/skills training and secondary social contributions
4. Commitment of shareholders to support the execution of the company's business plan. This investment has been structured as a 'line of equity' to the company with draw-downs as required subject to business agreements.

The Kudz Ze Kayah project is the first project proposed by BMC for mine development. It is located in the northern Pelly Mountains, 115km southeast of Ross River in south central Yukon.

3. Kudz Ze Kayah Project Benchmarking

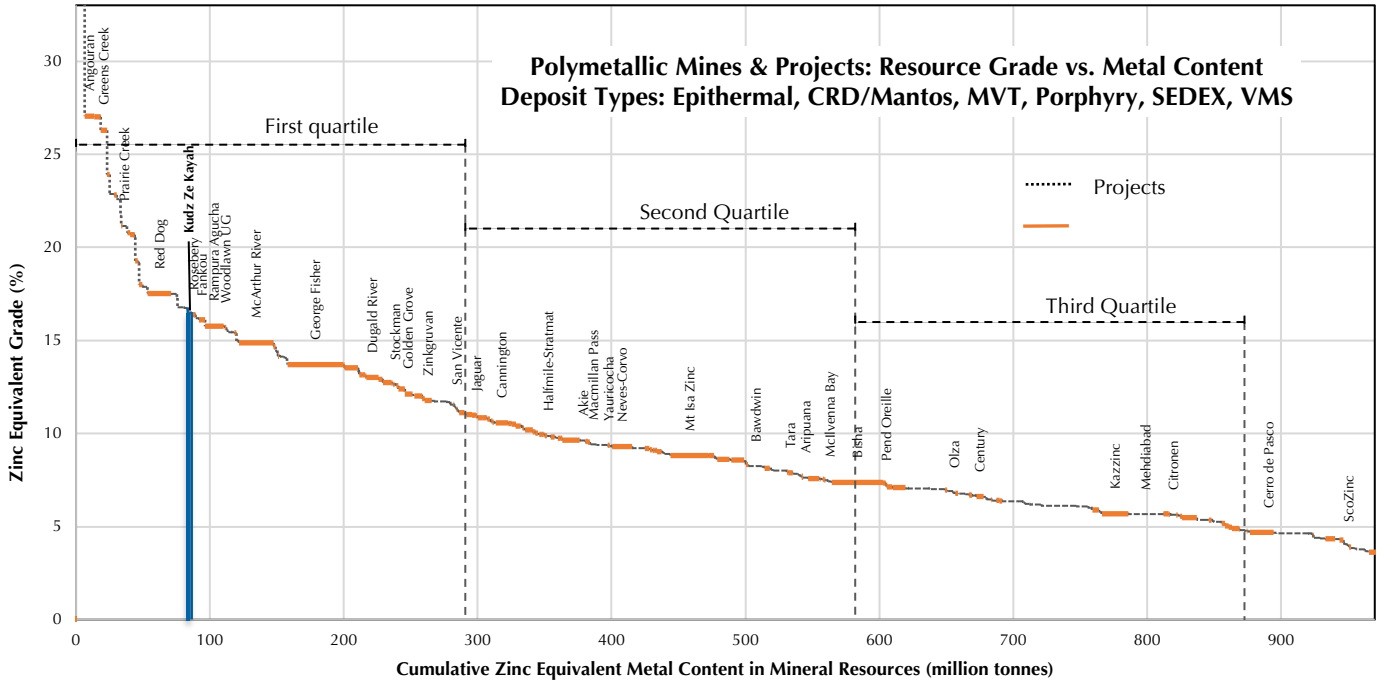
Mineral Resource

Among polymetallic deposits, volcanic massive sulphide or VMS typically present the best grades. Kudz Ze Kayah is no exception.

At this time, the Kudz Ze Kayah project include the ABM and Krakatoa deposits with NI 43-101 compliant mineral resources.

Figure 3.1 displays the mineral resources of in excess to 300 mines and projects. The ABM mine at Kudz Ze Kayah is very well positioned in the first quartile for that parameter.

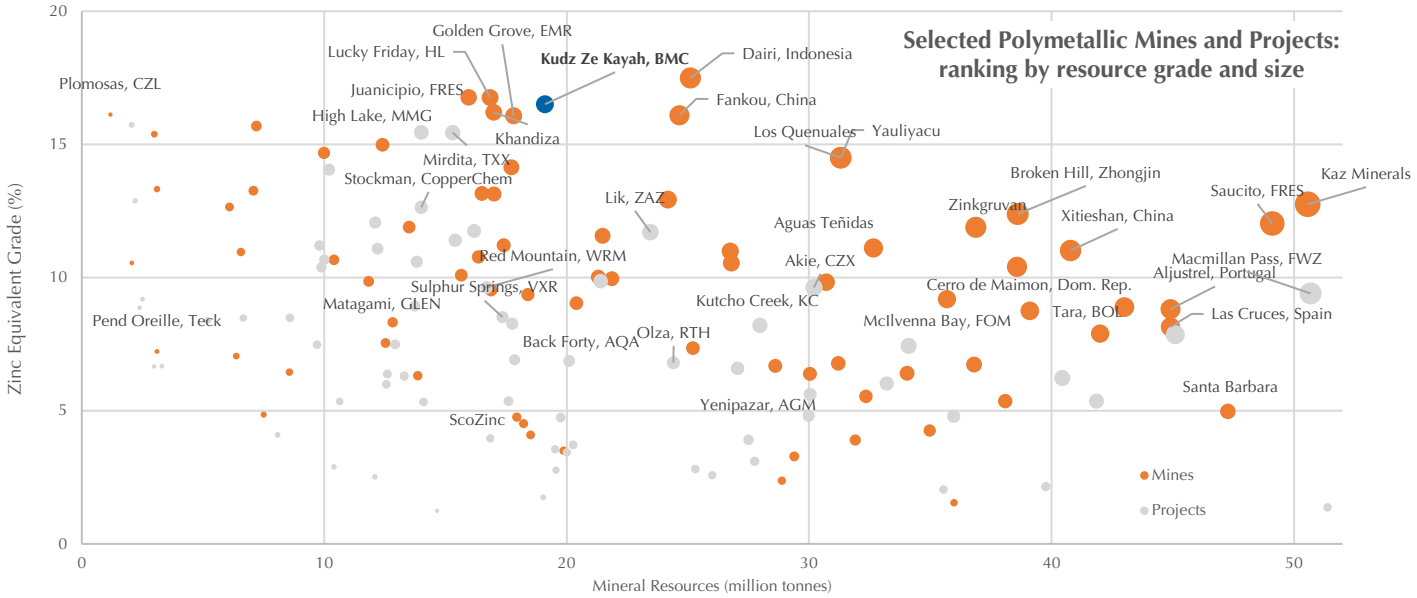
Figure 3.1 – Mineral Resource of Mines and Projects Peers



Source: Terra Studio.

Displayed differently in Figure 3.2, the high grade nature of the ABM mineral resource at Kudz Ze Kayah is combined with a significant tonnage comparable to a number of existing mines.

Figure 3.2– Mineral Resource Benchmarking



Source: Terra Studio

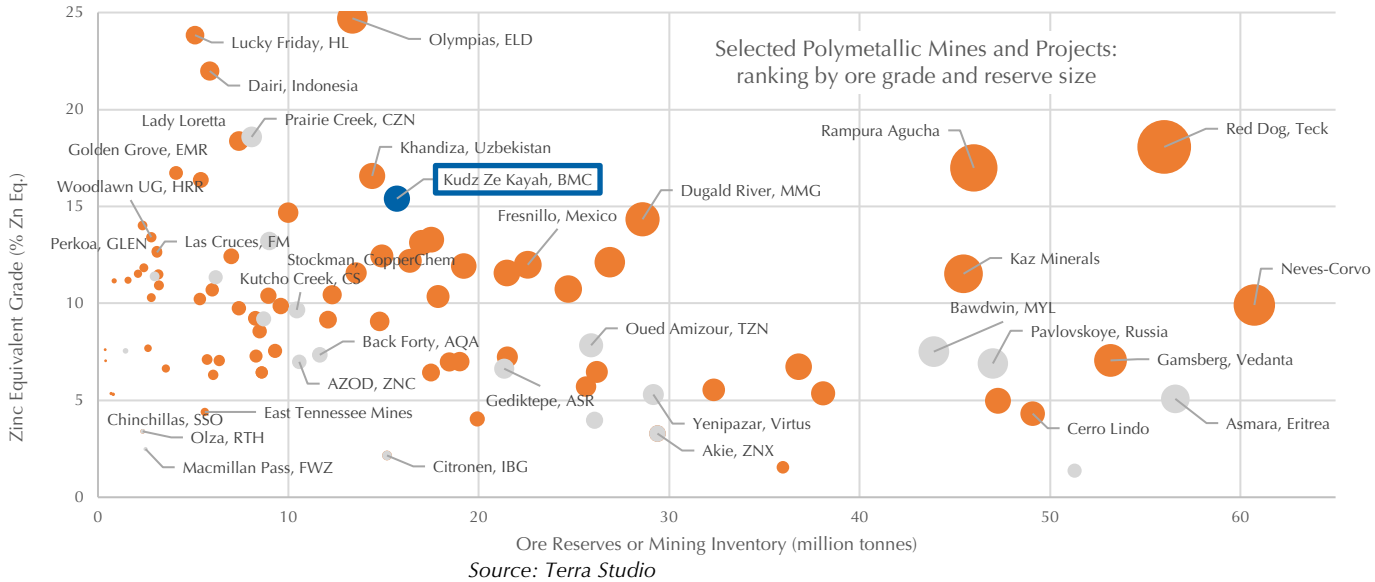
Ore Reserves

Figure 3.3 indicates that the ABM mineral resource at Kudz Ze Kayah converts well into ore reserve.

The ABM ore reserve at Kudz Ze Kayah compares favorably with a larger number of existing operations both in terms of grade and tonnage.

Furthermore, one should note that the ABM deposit at the Kudz Ze Kayah project is mostly amenable to open pit mining while most polymetallic projects are typically mined from underground.

Figure 3.3–Ore Reserves Benchmarking

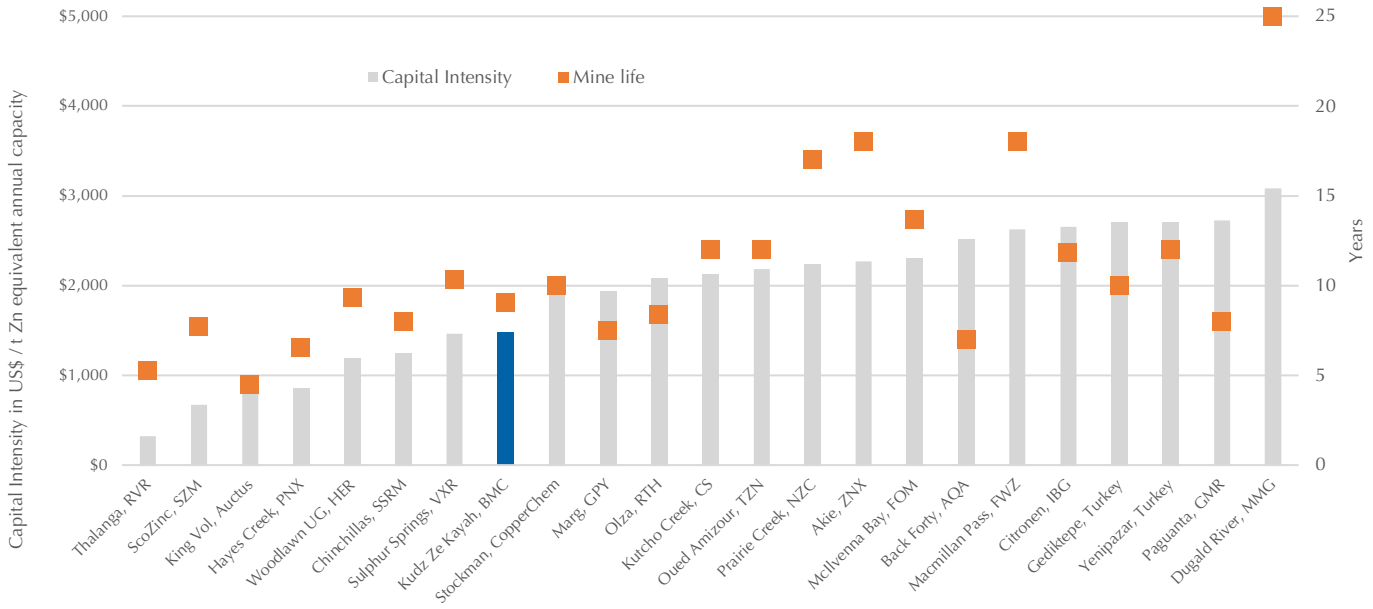


Source: Terra Studio

Capital Intensity

The capital intensity as well as the initial mine life of the Kudz Ze Kayah project compare favourably with its peers.

Figure 3.4 – Capital Intensity and Initial Mine Life Benchmarking

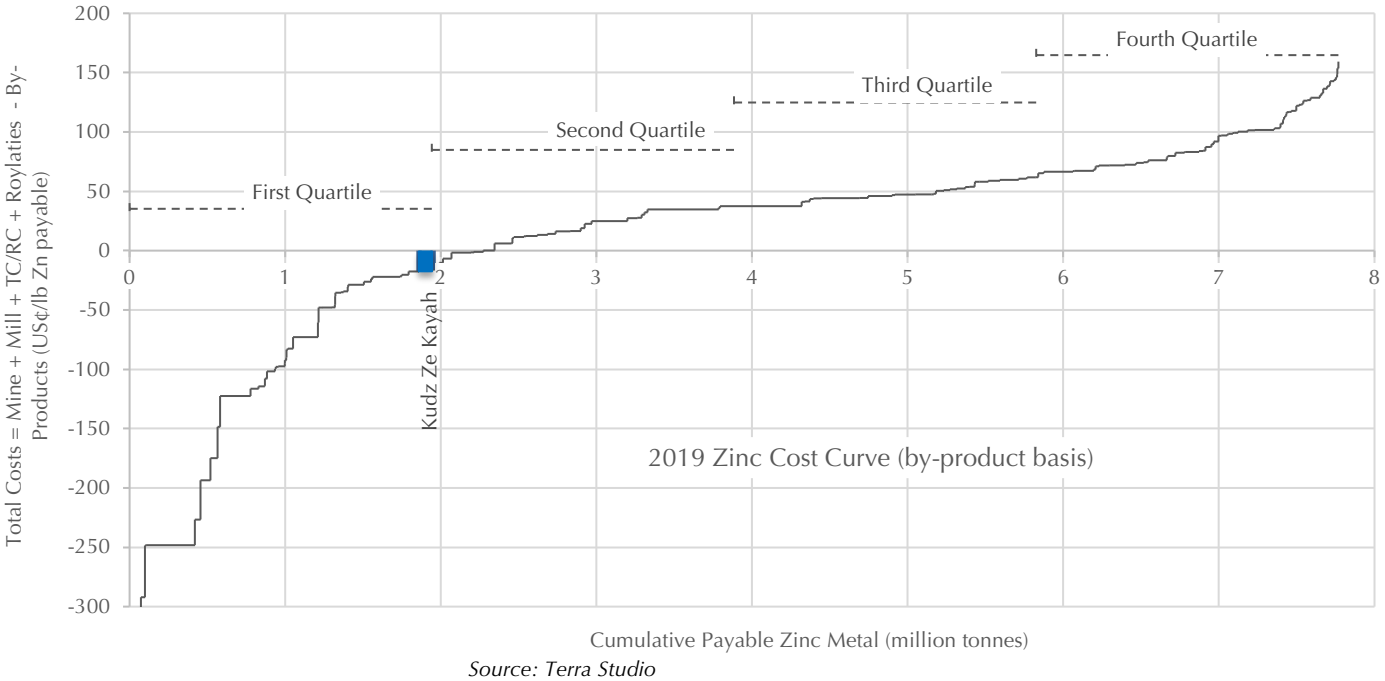


Source: Terra Studio

Position on Cost Curves

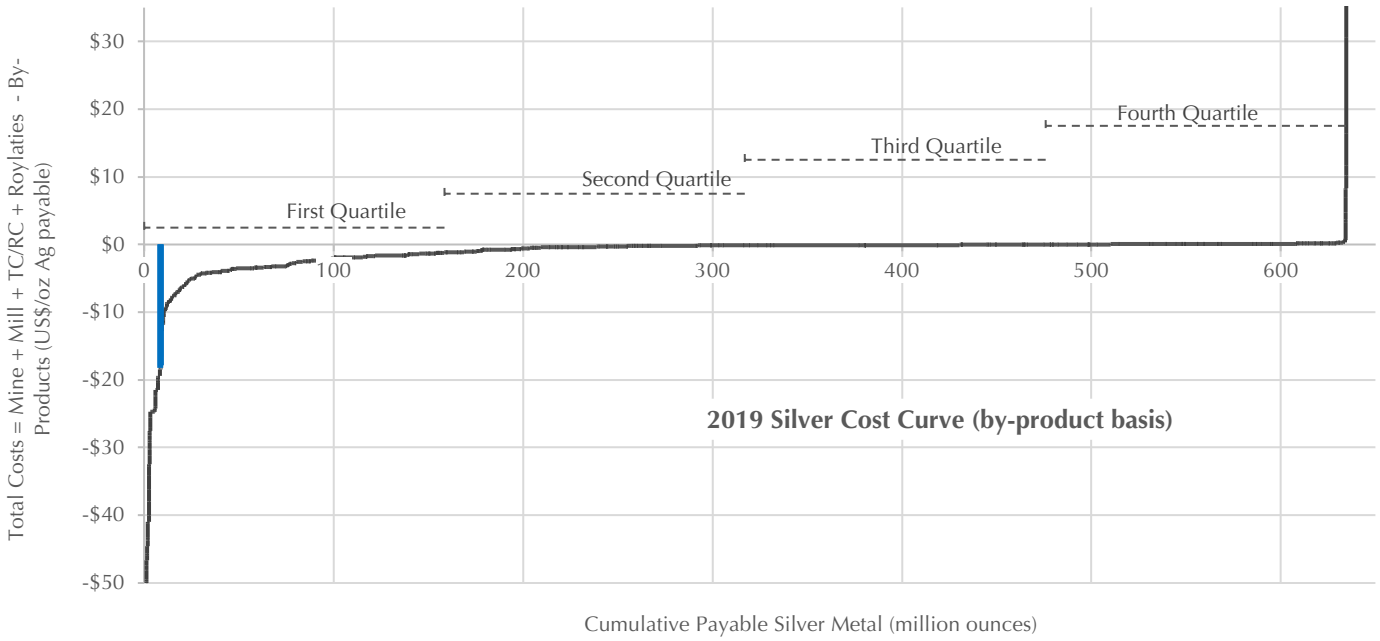
Figure 3.5 and 3.6 display the position of the zinc and silver cash costs respectively on the zinc and silver global cost curves. In both cases, the Kudz Ze Kayah project sits in the first quartile, thanks to significant by-product credits.

Figure 3.5 – Zinc Cost Curve



Source: Terra Studio

Figure 3.6 – Silver Cost Curve



Source: Terra Studio

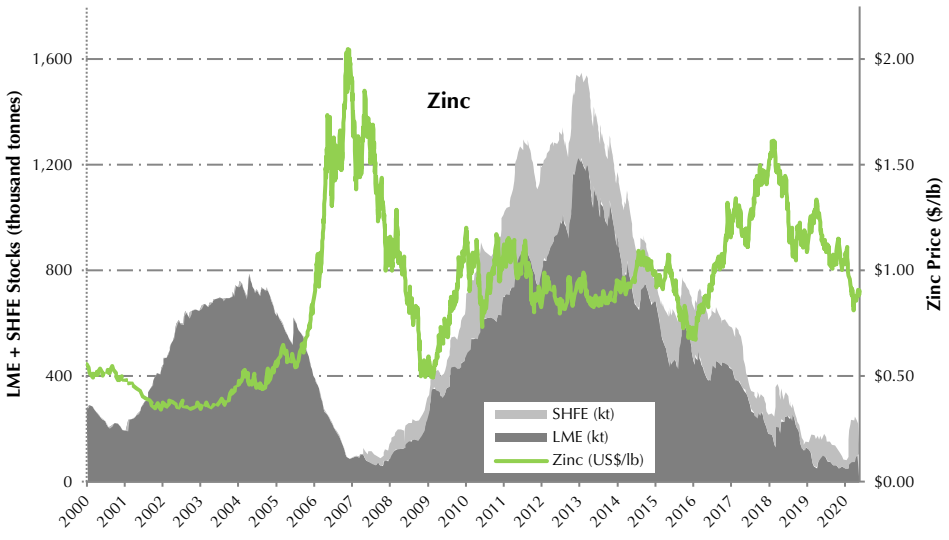
4. Metal Price Assumptions

As for any other mining development, metal price assumptions have a strong impact on the economics of the project.

Zinc, silver and gold represent more than 75% of the project revenues. We shall first examine the market fundamentals and outlook for zinc, then examine the DFS metal price assumptions as well as others in the context of historical prices.

Zinc Market

Figure 4.1 – Historical Zinc Price and Official Inventories

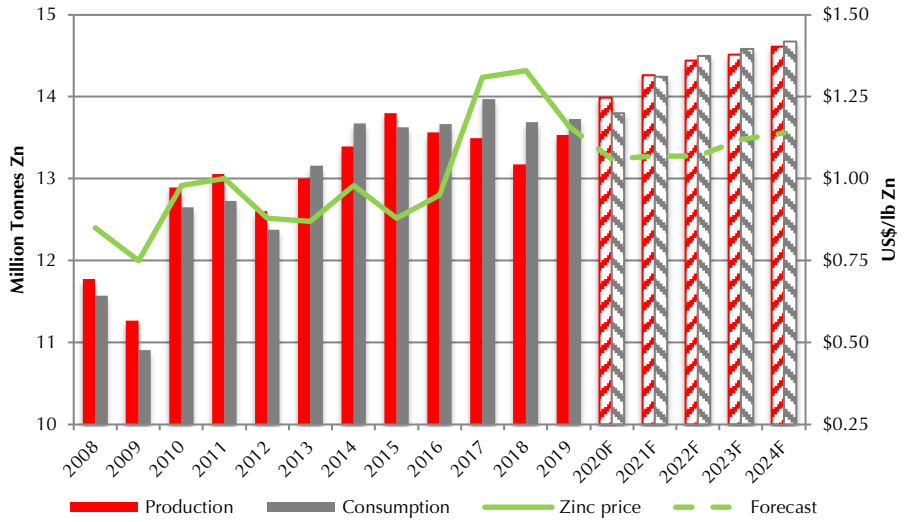


Source: LME, SHFE, Terra Studio

Figure 4.1 displays the historical zinc prices and official inventories (LME + SHFE) over the last 20 years. The 2005-07 price spike appears correlated with a sudden fall in official inventories, due to market deficits. With an overshooting supply response, the inventories increased strongly up to 2013. Then, assisted by new market deficits since 2015, those considerable inventories have now been resorbed.

Figure 4.2 displays historical and forecast global consumption and production. The recent price increase over the period 2017-19 relates well to consecutive market deficits over the period 2016-2019.

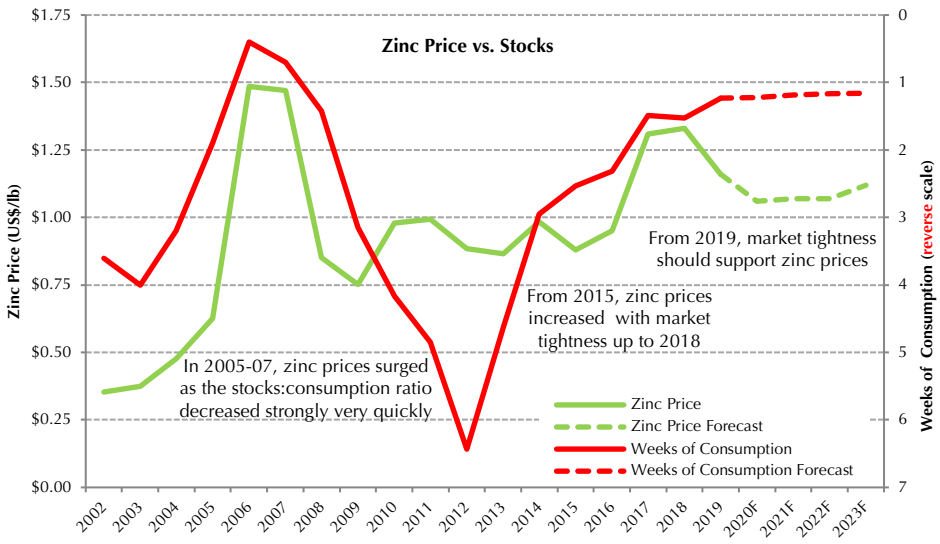
Figure 4.2 – Historical and Forecast Global Consumption and Production



Source: ILZSG, S&P Global, WBMS, Terra Studio

Figure 4.3 displays annual zinc price averages against the official stocks (LME + SHFE). The strong correlation between the 2005-07 price surge and the rapid and strong decrease of official inventories does not repeat itself currently, with prices correcting while official stocks are at historical low levels. Nevertheless, we expect that the market tightness will support zinc prices for the foreseeable future.

Figure 4.3 –Zinc Price and Official Inventories



Source: LME, SHFE, Terra Studio

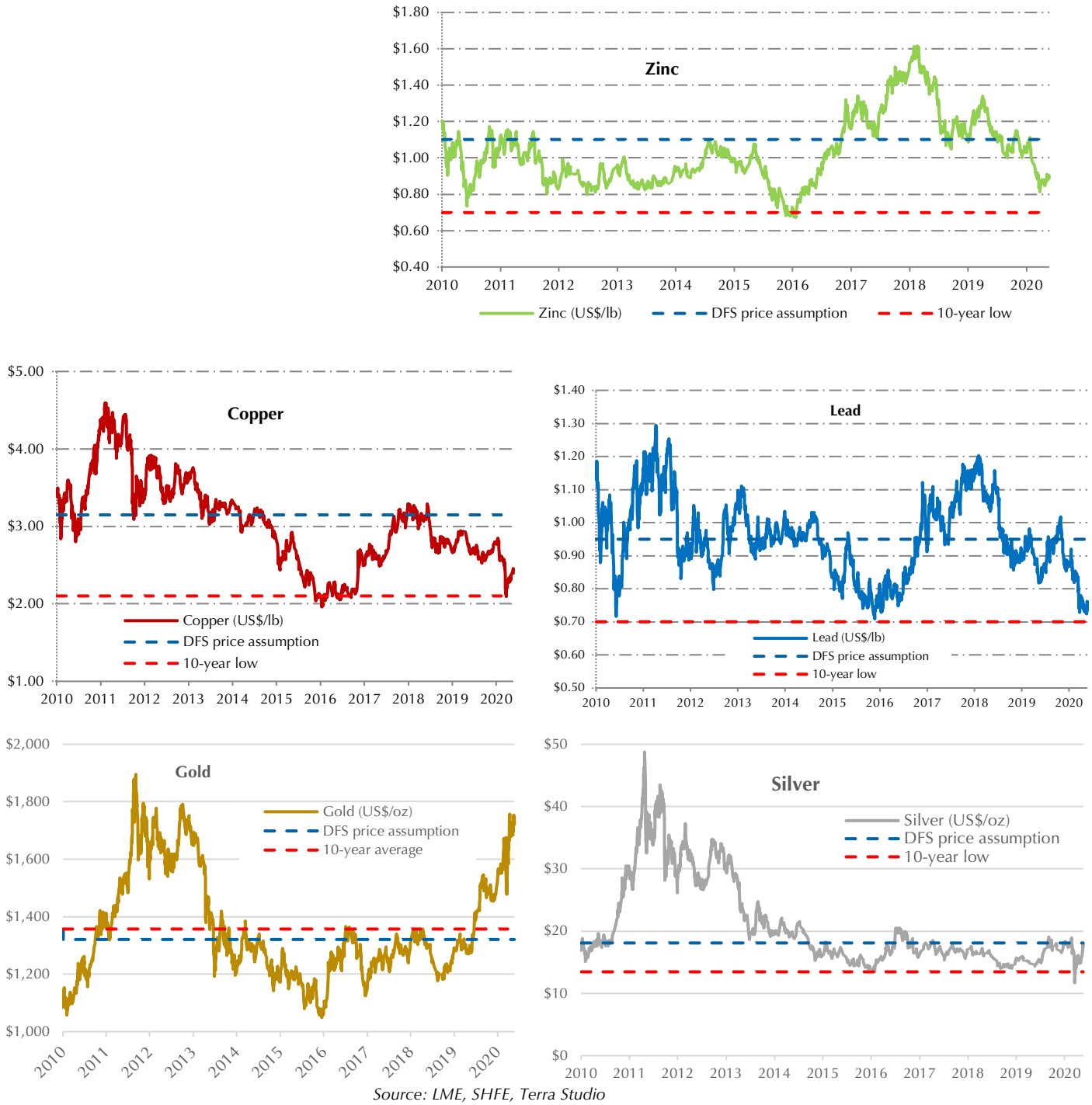
Metal Price Assumptions

In the context of a global economic downturn due to the effect of the coronavirus Covid-19, we have selected four price scenarios:

1. Current prices (or as close as possible)
2. 10-year low
3. Consensus price forecast (from S&P Global)
4. DFS price assumption

Price scenarios 1, 2 and 4 are presented graphically through the following charts:

Figure 4.5 – Metal Price Assumptions in 10-year Historical Charts



Source: LME, SHFE, Terra Studio

Metal Price Assumptions/Scenarios

Metal/FX	Unit	Current	10-year low	Consensus*	DFS*
Zinc	US$/lb	0.90	0.70	1.11	1.10
Copper	US$/lb	2.40	2.10	3.10	3.15
Lead	US$/lb	0.74	0.70	0.91	0.95
Gold	US$/oz	1,736	1,350	1,543	1,321
Silver	US$/oz	17.7	13.5	17.9	18.1
CAD/USD	x	0.71	0.69	0.78	0.78

*Source: BMC, Terra Studio, * metal prices from year 2024*

As the Canadian dollar is a commodity related currency and operating costs are in Canadian dollars, the currency acts as a hedge against weak metal prices.

Also, among the metals produced, gold should continue to act as a hedge as it is currently the case. Nevertheless, we considered a price of $1,350/oz which represents the 10-year average for the "10-year low scenario". For silver, due to the mix nature of silver, a precious metal with a very significant industrial use, a 10-year low (omitting the COVID-19 related dip) has been retain for this scenario.

The Consensus price scenario has been sourced from S&P Global. From year 2024, lead and zinc metal prices are quite similar. The lower copper and silver prices forecasted are compensated by a higher gold price.

5. Kudz Ze Kayah VMS Project

Location and Infrastructure

The Kudz Ze Kayak (KZK) Project is situated on the northern flank of the Pelly Mountain Range, 260 km northwest of Watson lake and 115 km southeast of Ross River in Yukon, Canada. The project area lies approximately 23 km south of Finlayson Lake and 25 km west of Wolverine mine (Yukon Zinc). The project is accessed via a 20 km long access road from the Robert Campbell Highway, and all-season road access exists to ice free port facilities at Stewart (British Columbia).

Figure 5.1 – Kudz Ze Kayah Project Location

Source: BMC

Claims and Ownership

The KZK Project comprises four blocks of mineral claims:

1. the KZK Claim Block (BMC 100%) centred on the ABM deposit,
2. the Pelly Claim block (BMC 100%) located immediately adjacent to the Wolverine mine,
3. the Kona Claim block (option to purchase) centred on the Kona deposit and the Tsa Da Glizsa claims (BMC 100%), and
4. the Wolf Claim Block (BMC 100%) centred on the Wolf deposit.

The Kudz Ze Kayah (KZK) mineral claims are located within the Finlayson Lake District of the Yukon-Tanana terrane, which underlies much of central Yukon and parts of Alaska and British Columbia. The Finlayson Lake District forms a crescent-shaped area ~300 km long and ~50 km wide that extends from Ross River in the north to Watson Lake in the south, and comprises Devonian-Mississippian volcanic, intrusive, and sedimentary rocks. It is bounded by the Tintina Fault to the southwest, and to the northeast by the Inconnu Thrust.

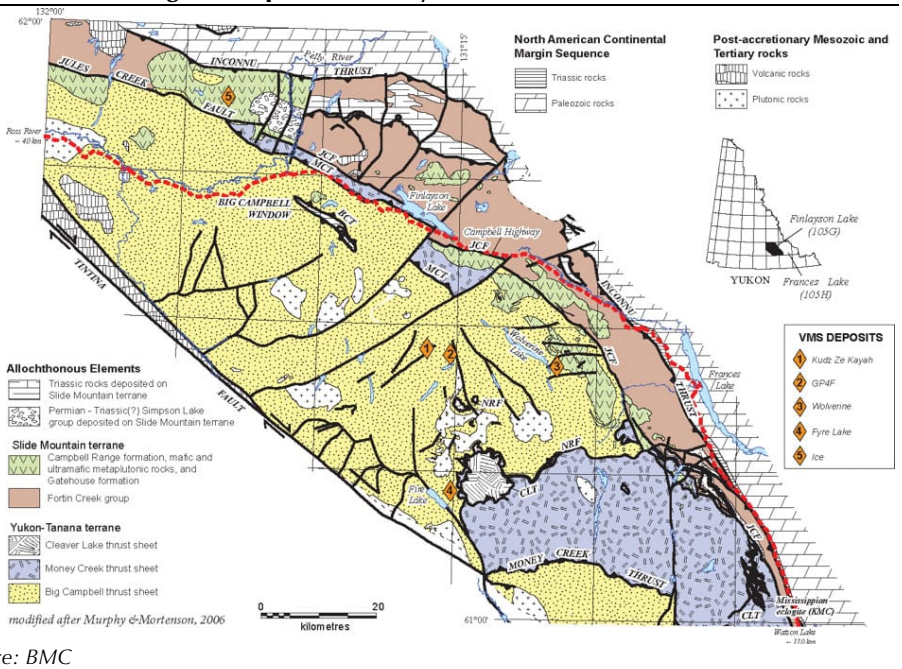
The KZK claims encompass the ABM deposit, and the nearby GP4F occurrence. Both the ABM deposit and massive sulphide mineralization at GP4F are of the volcanic-hosted massive sulphide (VHMS) mineralisation style. The ABM deposit and the GP4F occurrence are hosted within the Grass Lakes Group, more specifically the Kudz Ze Kayah formation which is structurally and stratigraphically overlain by the Wind Lake Formation.

The KZK property, comprising 879 mineral claims covering 159km^2, is held 100% by BMC. The first significant modern exploration activity in the area was triggered after the Geological Survey of Canada released a regional silt and soil geochemical survey. A follow-up geochemical sampling programme, undertaken by Cominco in 1993, led to the discovery of a mineralised cobble in one of the surface drainages. Ground-based electromagnetic (EM) and magnetic geophysical surveys in the vicinity identified a coincident response target, and follow-up diamond drilling in 1994 discovered the ABM deposit. A prefeasibility study was completed by Cominco in 1995, and the mining project permitted for mine development in 1998. Cominco, at a time of low metal prices, moved their focus to Red Dog, and KZK project remained effectively dormant until January 2015 at which time BMC acquired the project from Teck (as successor to Cominco). BMC completed a drill out of the ABM deposit in 2015, and step-out exploration drilling toward the end of the 2015 field season resulted in discovery of the adjacent Krakatoa zone located immediately east of the original ABM zone.

The KZK claims cover the strike extension of the ABM host stratigraphy, with the only intensive exploration work having been undertaken in the immediate vicinity of the deposit. Even then, drilling testing around the deposit is for the most part limited to a maximum of ~200m vertical depth. In this context the highly prospective KZK claims remain relatively untested by modern exploration.

Geology Setting

Figure 5.2 – Geological Map of the Finlayson Lake District



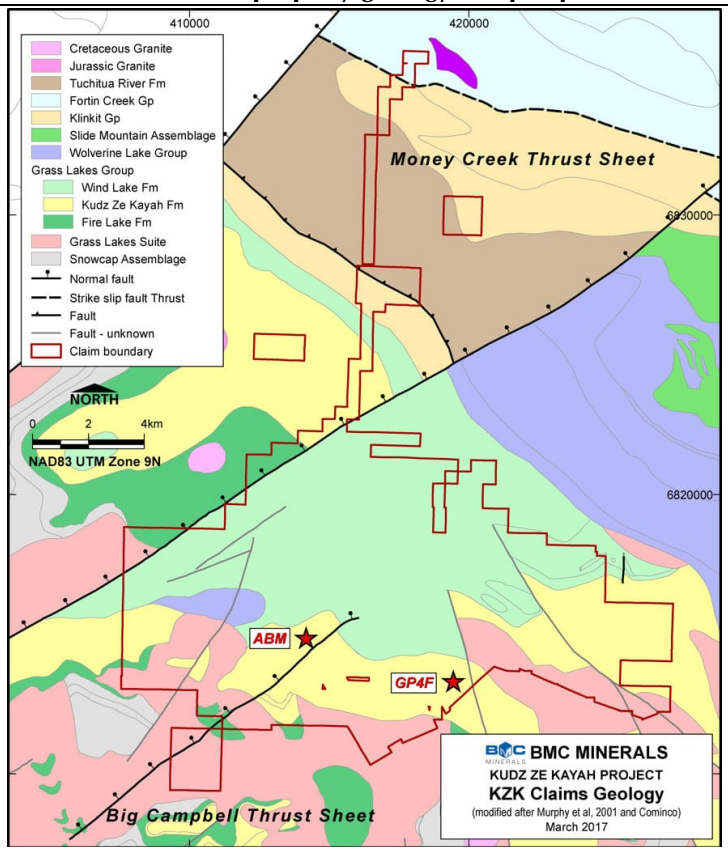
Source: BMC

The KZK Project is located within the Finlayson Lake District (FLD) of the Yukon-Tanana terrane, which underlies much of central Yukon and parts of Alaska and British Columbia to the west of the Selwyn Basin. The Finlayson Lake District forms a crescent-shaped area ~300 km long and ~50 km wide that extends from Ross River in the north to Watson Lake in the south, and predominantly comprises Devonian-Mississippian volcanic, intrusive, and sedimentary rocks. It is bounded by the Tintina Fault to the southwest, and by the Inconnu Thrust to the northeast.

The FLD hosts numerous volcanic-hosted base metal sulphide deposits that collectively contain in excess of 50 Mt of base and precious metal rich sulphide mineralisation, most of which are located within the Big Campbell thrust Sheet. The rocks of the FLD are interpreted to have formed in a variety of tectonic settings, including rifted frontal arc, continental back-arc, and oceanic back-arc.

The only period of significant historical exploration activity in the region was between 1994 and 1998, during which time most of the known mineral deposits and occurrences were discovered. The presence of significant base and precious metal mineralisation throughout the district, and a lack of sustained exploration activity in the modern era, indicates that the district remains highly prospective.

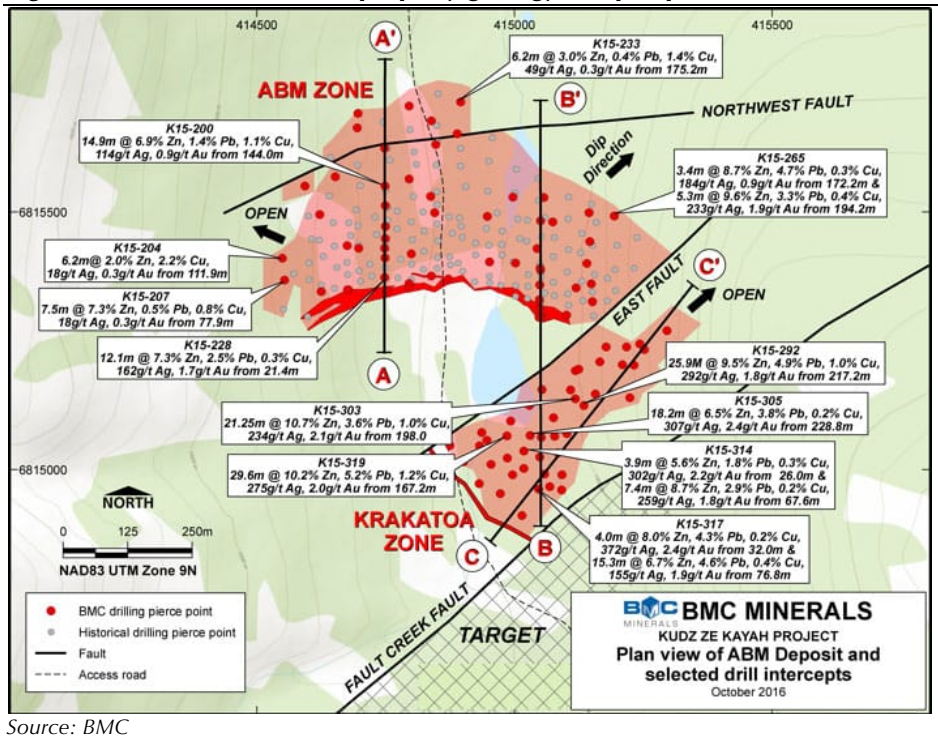
Figure 5.3 – Plan view of KZK property geology and prospect locations



Source: BMC

ABM Deposit Geology

Figure 5.4 – Plan view of KZK property geology and prospect locations



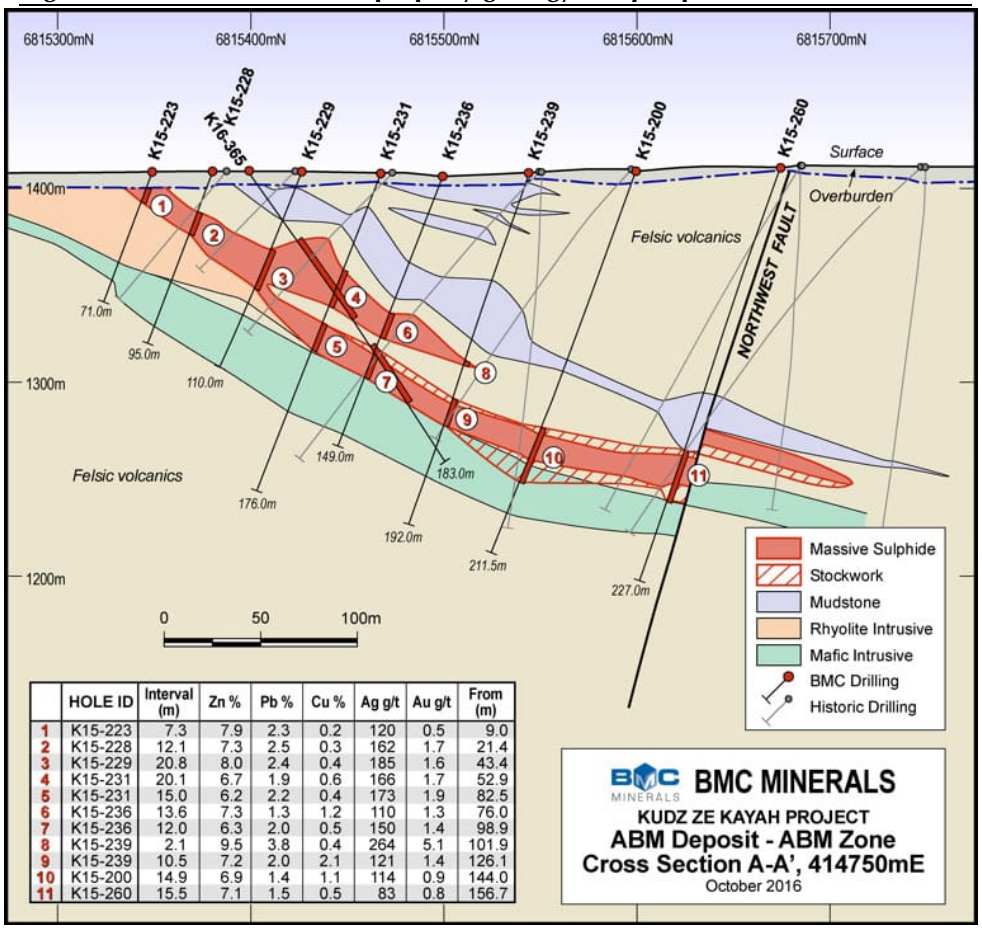
Source: BMC

The ABM deposit comprises two major zones (ABM zone and Krakatoa zone) of continuous shallow-dipping VHMS mineralisation within a thick

felsic tuff and intrusive/flow complex. The ABM deposit is primarily hosted within the felsic volcanic package, whereas portions of the Krakatoa zone are also hosted within a pre-mineralisation mafic sill that intruded the felsic volcanic package. Mineralisation also occurs in the hanging wall to the mafic sill at Krakatoa in what is interpreted to be the stratigraphic equivalent of the ABM mineralised position.

Both zones of the ABM deposit are truncated at the bedrock surface and overlain by glacial sediments. The massive sulphide mineralisation at ABM occurs under ~2 m to 20 m of overburden, is up to ~30 m in true thickness and extends ~600m down-dip, whereas the Krakatoa zone occurs under ~30 m of glacial overburden, is up to ~22 m in true thickness, and extends for at least 600m down-dip. The down-dip margin of the ABM zone appears to transition into a mixed volcano-sedimentary package, whereas the Krakatoa zone mineralisation remains open at depth. Mineralisation of the ABM deposit predominantly comprises massive sulphide, with a lesser component of disseminated, vein-style and banded sulphide ores ("stockwork ore") which occur in both the footwall and hanging wall to the massive sulphide in equal measure.

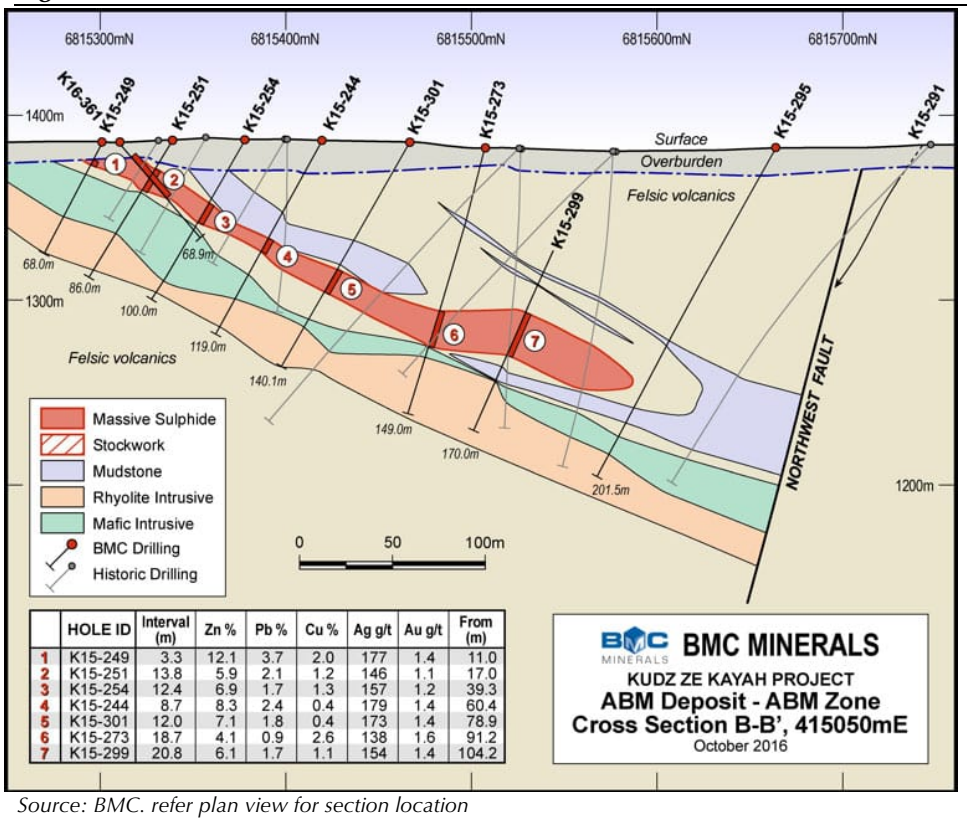
Figure 5.5 – Plan view of KZK property geology and prospect locations



	HOLE ID	Interval (m)	Zn %	Pb %	Cu %	Ag g/t	Au g/t	From (m)
1	K15-223	7.3	7.9	2.3	0.2	120	0.5	9.0
2	K15-228	12.1	7.3	2.5	0.3	162	1.7	21.4
3	K15-229	20.8	8.0	2.4	0.4	185	1.6	43.4
4	K15-231	20.1	6.7	1.9	0.6	166	1.7	52.9
5	K15-231	15.0	6.2	2.2	0.4	173	1.9	82.5
6	K15-236	13.6	7.3	1.3	1.2	110	1.3	76.0
7	K15-236	12.0	6.3	2.0	0.5	150	1.4	98.9
8	K15-239	2.1	9.5	3.8	0.4	264	5.1	101.9
9	K15-239	10.5	7.2	2.0	2.1	121	1.4	126.1
10	K15-200	14.9	6.9	1.4	1.1	114	0.9	144.0
11	K15-260	15.5	7.1	1.5	0.5	83	0.8	156.7

Source: BMC

Figure 5.6 – Cross section view of ABM Zone



	HOLE ID	Interval (m)	Zn %	Pb %	Cu %	Ag g/t	Au g/t	From (m)
1	K15-249	3.3	12.1	3.7	2.0	177	1.4	11.0
2	K15-251	13.8	5.9	2.1	1.2	146	1.1	17.0
3	K15-254	12.4	6.9	1.7	1.3	157	1.2	39.3
4	K15-244	8.7	8.3	2.4	0.4	179	1.4	60.4
5	K15-301	12.0	7.1	1.8	0.4	173	1.4	78.9
6	K15-273	18.7	4.1	0.9	2.6	138	1.6	91.2
7	K15-299	20.8	6.1	1.7	1.1	154	1.4	104.2

Source: BMC. refer plan view for section location

A post-mineralisation brittle fault zone offsets the ABM and Krakatoa zones, and angular clasts of sulphide are to be found within the fault zone breccias. The south-eastern margin of Krakatoa is cut by another late brittle fault zone, and wide-spaced (~200m) drilling east of the fault during 2016 identified a thin zone of massive sulphide mineralisation in drill hole K16-394 (0.5m @ 9.3% Zn, 0.2% Pb, 0.5% Cu, 8g/t Ag) which has as yet not been followed up.

GP4F mineralisation is hosted within an interbedded sequence dominated by highly foliated and altered felsic volcaniclastic and pelitic sedimentary rocks, with lesser quartz-phyric porphyritic intrusive rocks and mafic dykes. The host rocks are broadly interpreted to be the distal facies equivalent of the ABM host rocks, with a significantly reduced intrusive component. GP4F mineralisation predominantly comprises disseminated to semi-massive sulphides within phyllosilicate-dominant schists. The deposit occurs under ~10m to 25m of glacial overburden, is up to 8m in true thickness within which massive sulphide intervals of up to 3.2m in thickness occur, and has an east-west strike extent of ~300 m and a down-dip extent of ~350m. The deposit remains open both along strike and down-dip.

Project History

Over the period 1993-1998, Cominco undertook soil sampling, geological mapping, geophysical surveys, diamond core drilling (171 holes for 24,928m), geotechnical investigations, mine planning, bulk metallurgical sampling, environmental monitoring, archaeological studies. Those studies led to the publication of a Pre-Feasibility Study in 1995.

Over the period 2015-2020, BMC undertook extensive data validation, diamond drilling, geophysical surveys, geological mapping, geochemical sampling as well as relogging and resampling historical drill core. Those studies led to the publication of a Pre-Feasibility Study in May 2016 and a Definitive Feasibility Study in July 2019.

The summary of the drilling campaigns is as follows:

Year	Type	# Holes	Meters Drilled
1994	DD	52	8,519
1995	DD	119	14,962
1996	DD	1	99
1997	DD	17	3,566
1998	DD	11	1,754
2004	DD	8	1,762
2012	DD	5	675
2015	DD	148	25,966
2016	DD	84	19,210
2017	DD	48	4,929
2018	DD	22	4,055
Total	DD	515	85,496

Source: BMC. DD – Diamond Drilling

The drill hole used to estimate the mineral resource is a subset of the total drilled calaculated above.

Mineral Resources

BMC commissioned CSA Global to undertake an independent, updated MRE for the ABM deposit based on historical datasets and more recent 2015 and 2016 drilling.

The total resource within the ABM and Krakatoa deposits is 18.3 Mt at 0.90 % copper, 1.9% lead, 6.3% zinc, 1.4 g/t gold and 147 g/t silver for 164,000 t of contained copper metal, 345,800 t of lead, 1,152,600 t of zinc, 827,200 oz of gold and 86.4 million oz of siver in the Indicated category.

Kudz Ze Kayah Mineral Resource

Mining Method	Deposit	Resource Category	Tonnes (Mt)	NSR (CAD/t)	Cu (%)	Pb (%)	Zn (%)	Au (g/t)	Ag (g/t)	Contained Metal Cu (t)	Pb (t)	Zn (t)	Au (oz)	Ag (Moz)
Open Pit	ABM	Indicated	14.6	358	1.0	1.6	6.1	1.3	132	140,900	229,100	886,600	614,000	62.1
		Inferred	0.3	334	1.5	1.5	4.5	1.1	115	4,700	4,900	14,400	10,900	1.2
	Krakatoa	Indicated	3.5	443	0.6	3.2	7.2	1.8	213	21,400	113,200	255,500	204,000	24.3
		Inferred	0.1	347	0.6	2.3	6.3	1.3	142	100	2,100	5,900	3,800	0.4
Underground	Krakatoa	Indicated	0.2	397	1.0	2.0	6.1	1.7	170	1,700	3,500	10,500	9,200	0.9
		Inferred	0.4	447	0.8	1.6	9.5	1.2	165	3,200	6,300	37,500	14,900	2.1
Total		Indicated	18.3		0.9	1.9	6.3	1.4	147	164,000	345,800	1,152,600	827,200	86.4
		Inferred	0.8		1.0	1.7	7.2	1.2	144	8,000	13,300	57,800	29,600	3.7

Mineral or Ore Reserves

Mineral Reserves summarised in the table below are inclusive of diluting material that will be mined in conjunction with the Mineral Reserves and delivered to the Process Plant.

Kudz Ze Kayah Mineral Reserve

Mining Method	Deposit	Reserve Category	Mt	Cu (%)	Pb (%)	Zn (%)	Au (g/t)	Ag (g/t)	Contained Metal Cu (t)	Pb (t)	Zn (t)	Au (oz)	Ag (Moz)
Open Pit	ABM	Probable	13.4	0.9	1.5	5.9	1.3	131	125,800	207,200	789,800	559,000	56.6
	Krakatoa	Probable	0.6	0.4	3.1	6.3	1.9	246	2,600	18,800	38,300	36,900	4.8
		Sub-Total	14.0	0.9	1.6	5.9	1.3	136	128,400	226,000	828,100	595,900	61.4
Underground	Krakatoa	Probable	1.7	0.4	2.3	5.0	1.3	147	7,400	39,700	86,900	69,800	8.2
Total		Total	15.7	0.9	1.7	5.8	1.3	138	135,800	265,700	915,000	665,700	69.8

The Net Smelter Return (NSR) method was used to determine economic mineralization for the KZK Project. NSR values have been calculated from the following metal prices (corresponding to the long-term consensus metal prices as at October 29, 2018). In addition, an exchange rate of US$0.792:C$1.000, was assumed.

Metal	Price	Price
Copper	US$3.08/lb	US$6,790/t
Lead	US$0.94/lb	US$2,072/t
Zinc	US$1.10/lb	US$2,425/t
Gold	US$1,310/oz	US$1,310/oz
Silver	US$18.42/oz	US$18.42/oz

Open pit mineral reserves are reported within a practical design for an open pit using a Net Smelter Return (NSR) cutoff of C$29.30/tonne. Underground Mineral Reserves are based on an underhand longhole stoping with cemented paste fill mining method and reported to a NSR cut-off of C$173/tonne.

All tonnes and grades have been adjusted for planned and unplanned mining dilution and ore loss. Dilution was applied at zero grade.

The ABM deposit will be mined by open pit mining (~80%) and underground (~20%) mining methods. Open pit mining of the ABM Zone will be staged into four separate phases to manage overall waste stripping requirements and the adjoining Krakatoa Zone will be mined as a single phase. Underground mining of the Krakatoa Zone beneath the pit will be predominantly via longhole open stoping with paste fill.

Open pit mining is planned over a period of 8.6 years, including nine months pre-production mining, plant commissioning and ramp-up. A total of 14.0 Mt of ore will be mined by open pit mining methods.

The underground mine is planned to commence 3.5 years after the start of open pit mining and operate for a period of 60 month. A total of 1.7 Mt of ore will be mined by underground mining methods.

Metallurgy

ALS Metallurgy completed BMC's PFS and DFS metallurgical testwork in their Perth and Adelaide laboratories in Australia. Five metallurgical domains have been defined for the ABM deposit, based on texture and mineralogy. The metallurgical testwork program investigated comminution and flotation performance for all five domains using domain composite samples together with five variability samples for each domain.

Comminution properties established from testwork for design purposes summarized in the table below and indicate that the mineralization can be considered "soft" in terms of the "A x b" parameter and of medium hardness in terms of Bond Ball Mill Work Index (BWI).

Summary of Comminution Properties

Parameter	Unit	Value
Impact breakage parameter – A x b	-	68.7
Drop Weight Index	kWh/m^3	6.05
Bond Ball Mill Index (BWI)	kWh/t	12.8
Bond Rod Mill Index (RWI)	kWh/t	10.4

Source: BMC, CSA Global

For the DFS, the extreme values for A x b and DWI of 68.7 and 6.05 kWh/m3 respectively were used for design purposes due to the broadness (long downhole intervals) of many of the composite samples that were tested and the potential for reduced variability in these samples.

For design purposes the 85th percentile RWI value (10.4 kWh/t) was selected for use due to the broadness (long downhole intervals) of many of the composite samples that were tested and the potential for reduced variability in these samples and the limited number of RWI results.

The 80th percentile BWI value (12.8 kWh/t) was used for design purposes due to the greater number of BWI results.

Flotation testwork consisted of open circuit batch flotation tests and locked cycle tests. Data from flotation testwork was used to derive relationships for recovery of economic metals and deleterious elements into concentrates for each domain.

The life of mine (LOM) recoveries determined for the DFS are summarized in the table below. Concentrate grades are predicted to be 25.0% copper, 52.0% lead and 52.0% zinc for copper, lead and zinc concentrates respectively.

LOM processing recoveries of revenue metals

Concentrate	Copper	Lead	Zinc	Gold	Silver
Copper	73.8%	n/a	n/a	27.3	36.8
Lead	n/a	73.5	n/a	29.4	38.2
Zinc	n/a	n/a	85.9	8.1	11.1
Total				64.8	86.1

Source: BMC, CSA Global

Flowsheet

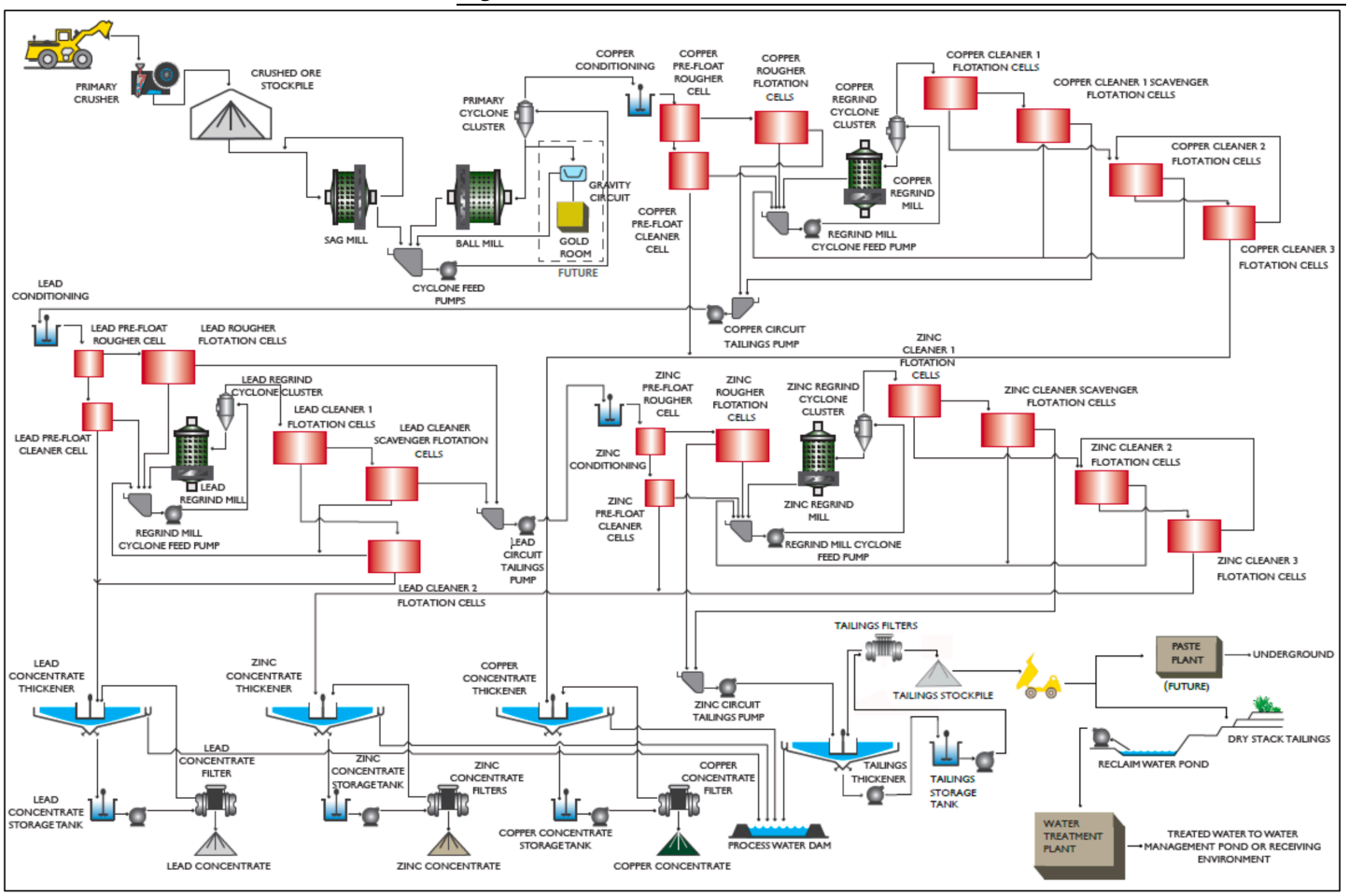
The Kudz Ze Kayah Process Plant and associated facilities have been designed to process run-of-mine (ROM) ore at a rate of 2.0 Mt/a to produce separate copper, lead, and zinc concentrates and tailings; however, the plant will be capable of processing at 270 tonnes per hour (t/h) based on average ore comminution properties and average plant feed grades. The process rate will be varied depending on the grade of the ore.

The process flowsheet consists of the following key stages:

- Crushing, stockpiling and grinding of the ore.
- Sequential pre-float, rougher and cleaner flotation of copper, including regrind of copper rougher concentrate.
- Sequential, rougher and cleaner flotation of lead, including regrind of lead rougher concentrate.
- Sequential pre-float, rougher and cleaner flotation of zinc, including regrind of zinc rougher concentrate.
- Thickening, filtration, and stockpiling on site of copper, lead, and zinc flotation concentrates. Copper and zinc concentrates will be loaded in bulk onto trucks for transport to port, while lead concentrate will be loaded into sealable containers before transport by truck to port.
- Dewatering of flotation tailings by thickening and pressure filtration.
- Transportation of filtered flotation tailings to the Class A Waste Storage Facility for disposal.

The overall process flow diagram is provided in Figure 5.2.

Figure 5.2 – Overall Process Flowchart



Source: BMC.

Capital and Operating Costs

Pre-production capital costs have been estimated to be C$496 million (US$387 million) and sustaining capital costs were C$264 million (US$206 million), as summarized in the table below.

LOM Capital Cost Summary (C$m)

Item	Pre-Production	Sustaining	Total
Open Pit Mining	$41	$4	$45
Underground Mining	$0	$81	$81
Processing Plant	$197	$13	$211
Water Treatment Plant	$22	$3	$24
Infrastructure	$95	$61	$156
Closure	$0	$102	$102
Direct Costs	$355	$264	$618
Owners Costs	$16	Included	$16
Indirect Costs	$78	Included	$78
Subtotal Direct and Indirect Costs	$449	$264	$713
Contingency	$47	Included	$47
TOTAL CAPITAL COST	$496	$264	$760

Source: BMC, CSA Global

LOM operating costs are summarized in the table below.

Summary of Comminution Properties

Item	LOM Total CAD$m	Unit Cost CAD$/t processed
Open Pit Mining	$620	$39.42
Underground Mining	$159	$10.10
Processing	$330	$20.96
Water Treatment	$16	$1.04
Administration	$167	$10.60
Road Transport	$354	$22.50
Sea Transport and Port Operations	$212	$13.48
Equipment Leases	$78	$4.96
First Nations (administration and profit share)	$50	$3.18
Royalties	$222	$14.09
Treatment and Refining Charges, Penalties	$679	$43.21
TOTAL OPERATING COST	$2,886	$183.53

Source: BMC, CSA Global

In other terms, the mining costs are:

- US$3.04/t mined for open pit, and
- US$70.15/t mined for underground.

Those costs appear reasonable considering the following costs at other projects:

- Ayawilca project: US$36.7/t for underground (July 2019)
- MacMillan Pass project US$2.6/t for open pit, and US$34/t for underground (PEA July 2018)
- Prieska project: US$33.7/t mined for underground (BFS July 2019)

The processing cost of C$20.96/t or US$15.7/t is in line with the following processing costs:

- Bawdwin project: 2.0 Mtpa plant, U$16.3/t (PFS May 2019)
- MacMillan Pass project: 1.8 Mtpa plant, US$17.2/t (PEA July 2018)
- Olza Project: 2.16 Mtpa plant, US$11.46/t (PEA May 2015)
- Pumpkin Hollow: 1.7 Mtpa, US$12.65/t (Jan 2019)
- Prieska Project: 2.4 Mtpa, US$11.27/t (BFS July 2019)

Project Infrastructure

The Kudz Ze Kayak project infrastructure shall include:

- Three waste storage facilities sorted by classification in relation to potential to produce acid. All facilities will be progressively covered with liners, overburden and topsoil material before being revegetated.
- Water collection ponds collecting all water in contact with mine facilities, the waste storage facilities, the overburden waste storage facilities, the open pit and the processing plant.
- A water treatment plant, adjacent to the Processing Plant. The proposed treatment system consists of a metals removal circuit and a Selen-IX™ circuit for selenium removal. In Year 6, the Water Treatment Plant metals removal circuit will be modified to include a High- Density Sludge lime neutralization system to treat some runoff before it is predicted to turn acidic.
- A LNG/diesel fired power station located adjacent to the processing plant. Up to five 5.5 MW main generators in an N+1 configuration and a diesel generator for black start operation will be installed. Remote facilities such as the camp and pumps in water collection ponds and storage facilities will be powered from individual skid-mounted diesel generators.
- The existing 24 km Tote Road which will be upgraded to an all-weather, single lane road with sufficient passing bay pull-outs to safely facilitate two-way traffic. The Tote Road will be the main access to the site for all traffic including personnel transport, supply trucks and concentrate transport trucks.
- The existing Finlayson airstrip is located approximately 40 km from the site and will be the main facility used to fly all project personnel to and from Whitehorse. It is a gravel strip capable of up to 14-seat capacity aircraft.

Concentrate Haulage and Export

Concentrate will be hauled from KZK to the Port of Stewart along a 905 km southerly route utilizing a combination of the gravel site access road, gravelled and sealed highways.

Copper and zinc concentrate will be transported in conventional covered bulk concentrate haulage units. Lead concentrate will be transported in sealed containers all year round with the containers being emptied during ship loading.

Concentrate will be exported from the port at Stewart using upgraded facilities to be provided by Stewart World Port. The port facilities currently comprise a concrete deck and steel pile jetty with one berth suitable for Handysize and Handymax vessels.

Concentrates from the mine will be stored at a purpose-built storage facility constructed by BMC. Copper and zinc concentrates will be bulk stored until they can be conveyed to ship and discharged into the hold using a ship loader. Lead concentrate will be stored at the port until they can be unloaded inside the ships hold using a container rotating system used in conjunction with the ship's crane.

6. Permitting

The environmental and socio-economic conditions in and around the project area are well characterized. Baseline environmental and socio-economic studies were initiated in 1994/95 by Cominco to support their Initial Environmental Evaluation. These studies included evaluations of climate and hydrology; surface water and groundwater quality; stream sediment quality; aquatic resources; vegetation and terrain mapping; wildlife; archaeological investigation; and socio-economic data collection. Additional baseline studies were conducted in 1996 to support the Type A Water Licence Application. Baseline studies (water quality and aquatic resources) were conducted every two years between 1998 and 2018, to meet the requirements of the water licence. In 2015, BMC initiated a full suite of environmental baseline studies, to support the Environmental Assessment of the KZK Project. Further ongoing studies have been carried out with the participation of local First Nations and the results incorporated into the project plan.

The following tables summarise the completed and upcoming milestones.

Completed Milestones

Activity	Date
Environmental baseline studies	2015-18
Prefeasibility Study completed	May 2017
Permit application lodged	Mar 2017
YESAB confirms application Adequacy	Jan 2018
Feasibility study completed	Jun 2019
YESAB completes technical assessment	Nov 2019

Upcoming Milestones

Activity	Date
YESAB Recommendation Issued	H2 2020
YESAB Government Decision Issued	H2 2020
QML Issued	H2 2020
Decision to construct	2021
Construction start	2021
Type A Water Licence reissued	2021
Production start	2023

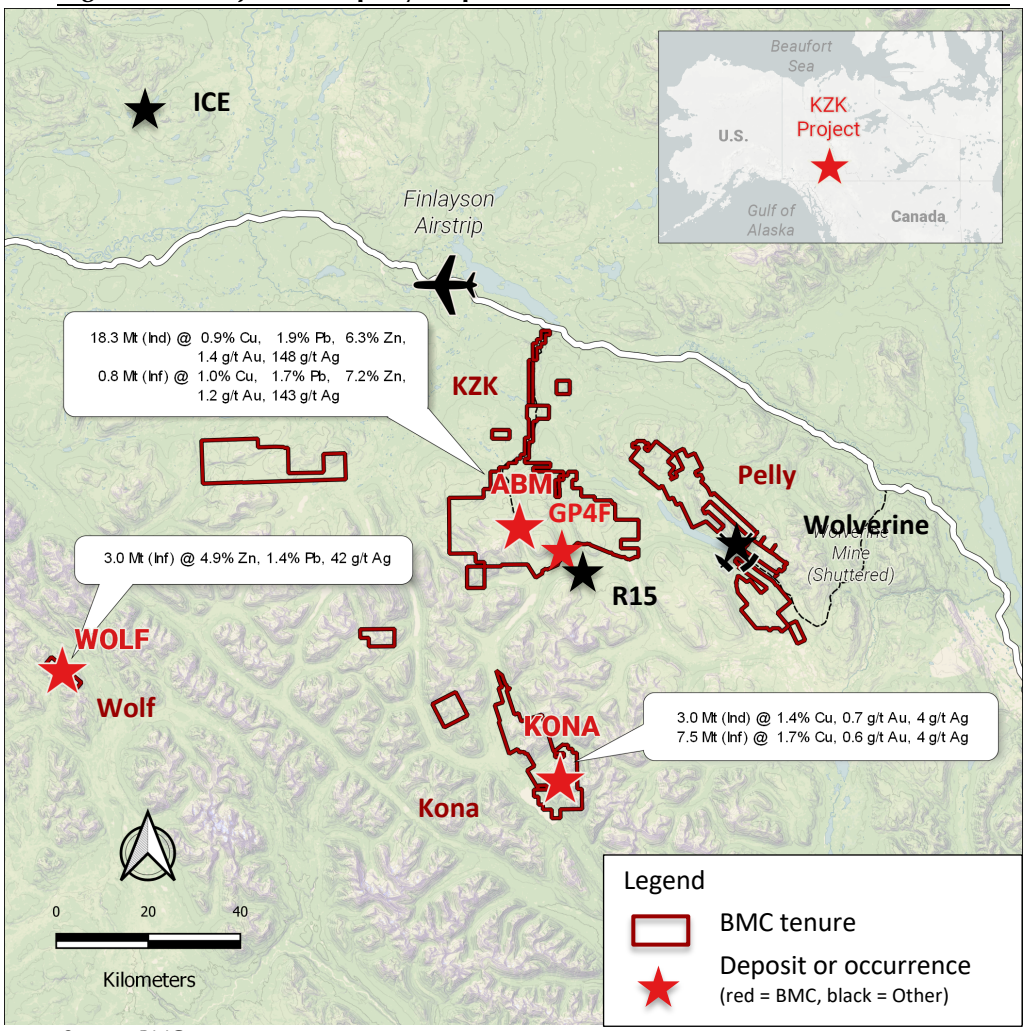
7. Exploration Upside

Significant VMS deposits were discovered from 1994 to 1998 in the Finlayson Lake District. To date, at least 41 VMS occurrences and six deposits have been discovered at different stratigraphic levels within the Finlayson Lake District (Ruijter et al., 2012). The six deposits: ABM, GP4F, Kona, Ice, Wolf and Wolverine, collectively contain in excess of 40 Mt of base metal mineralization.

The various deposits and mineral occurrences demonstrate the prospectivity of the region for VMS mineralisation.

Once in production, it is BMC's intention to develop exploration programs to assess all the opportunities in increase the Kudz Ze Kayah mine life.

Figure 7.1 – Adjacent Property Map



Source: BMC

GP4F Deposit

The GP4F deposit lies within the Kudz Ze Kayah property (see Figure 7.2). The deposit has a historical mineral resource estimate amounting to 1.5 million tonnes at 6.4% Zn, 3.1% Pb, 2 g/t Au and 90 g/t Ag, MacRobbie, P.A., and Holroyd, R.W., (2004). Note this mineral resource estimate is not NI 43-101 compliant.

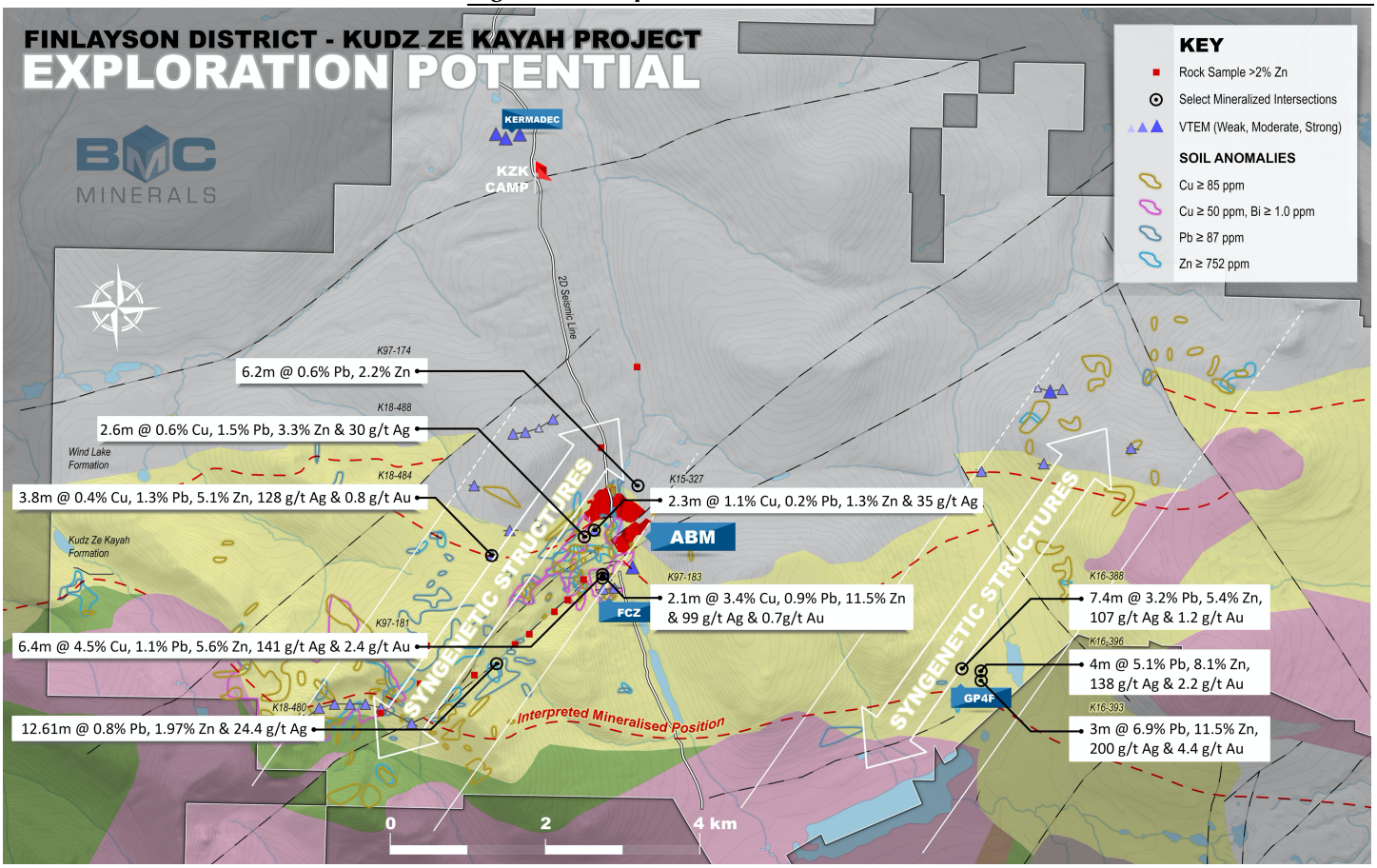
500m along strike GP4F, the R15 project hosts massive sulphide mineralization that is geologically similar to GP4F. The R15 mineralization may represent the continuation of the GP4F horizon along strike.

In November 2012, Redtail Metals Corp. (TSX-V: RTZ) reported the results of some diamond drill holes with the best result being:

- R12-11 which intersected 8.25m of 8.49% Zn, 3.94% Pb, 0.24% Cu, 34.7g/t Ag, and 0.061 g/t Au; and

Figure 7.2 summarises the exploration drilling results in close proximity of the deposits part of the KZK project and GP4F.

Figure 7.2 – Exploration Potential



Source: BMC

Wolverine (Yukon Zinc Corporation)

The Wolverine Mine is situated 30 km east of the ABM deposit. The mine, consisting of underground workings and a 750,000 tpa processing facility (Figure 7.2), is wholly owned by Yukon Zinc Corporation and commenced full commercial production in 2013 with a NI 43-101 compliant mineral reserve (proven and probable) of 5.2 Mt @ 9.66% Zn, 0.91% Cu, 1.26% Pb, 281.8 g/t Ag and 1.36 g/t Au. The mine was placed on care and maintenance in January 2015 (Yukon Zinc, 2016).

Remaining mineral resources or mineral reserves for the Wolverine deposit are unknown.

Figure 7.3 – Overview of the Wolverine mine and associated infrastructure

Source: CSA Global Report

Pelly

The Pelly property (100% owned by BMC) is located in Yukon, Canada, 280 km east-northeast of Whitehorse. It consists of 422 quartz claims that cover 72.2 km^2 which are owned 100% by BMC.

The property surrounds the Wolverine mine (Yukon Zinc) which consists of underground workings and a 750,000 t per annum processing facility, which operated from 2013 to 2015.

BMC acquired the Pelly project from Teck on 24 January 2015, at the same time that BMC acquired the nearby KZK project.

No mineral resource estimates have been undertaken on the Pelly project, and there has been no past production on the property.

The Pelly property is expected to contain the down dip extension of the Wolverine deposit. The drill hole intercepts confirming such down dip extension are indicated in the table below.

Pelly best drill hole intercepts

Hole ID	From (m)	To (m)	Thickness (m)	True Thickness (m)	Zn (%)	Cu (%)	Pb (%)	Ag (g/t)	Au (g/t)	Comments
WW00-01	426.01	434.16	8.15	7.40	13.56	0.68	1.16	152	0.59	100m down dip from claim boundary and nearest hole to Wolverine
WW00-03	499.87	502.54	2.67	2.50	8.33	1.55	1.32	293	1.17	100m NE of WW00-01 and 150-200m downdip from several holes in the Wolverine deposit

Kona

The Kona property is located ~20 km south of BMC's 100% owned Kudz Ze Kayah project and east of Whitehorse in Yukon, Canada. The property comprises 161 mineral claims.

BMC has an option arrangement over a 100% interest in the Kona property, currently held by TSX-V listed Pacific Ridge Exploration Ltd (PEX).

The Besshi-type Kona massive sulphide deposit occurs in mafic volcanic rocks to the South of the property. Two parallel zones of volcanogenic massive sulphide mineralization, East Kona and West Kona, comprise the Kona deposit; separated by an inferred reverse or growth fault.

BMC commissioned CSA Global to undertake an independent, updated MRE for the Kona deposit based on historical datasets and more recent interpretations undertaken since acquiring the option over the property.

The Kona deposit MRE is reported in the table below:

Kona Mineral Resource – February 2018

Mining Method	Resource Category	Tonnes (Mt)	NSR (C$/t)	Cu (%)	Au (g/t)	Ag (g/t)	Contained Metal Cu (t)	Au (oz)	Ag (oz)
Open Pit	Indicated	1.8	121	1.4	0.6	3	25,000	32,000	186,000
	Inferred	0.3	103	1.3	0.3	3	4,000	3,000	30,000
Underground	Indicated	1.2	138	1.5	0.9	5	17,000	34,000	187,000
	Inferred	7.2	147	1.7	0.6	4	126,000	149,000	822,000

The deposit is open down plunge.

Wolf

The Wolf property is located ~40 km west of BMC's 100% owned Kudz Ze Kayah project and east of Whitehorse in the Yukon Territory, Canada. The property, comprising 18 mineral claims, covers 372 ha.

The Wolf Property encompasses the Wolf polymetallic (Zn-Pb-Ag) volcanogenic massive sulphide (VMS) deposit, discovered in 1996 by Atna Resources Ltd and drilled over several seasons until 1998, after which exploration activity ceased.

BMC acquired the Wolf property in July 2016. Following acquisition, BMC undertook a work program on the Wolf property comprising an airborne geophysical survey, as well as resampling and assay of historical drill core.

In 2018, BMC commissioned CSA Global to undertake a mineral resource estimate for he Wolf deposit.

Wolf deposit Mineral Resource Estimate - January 2017 (no cut-off)

Classification	Tonnes	Zn	Pb	Au
Inferred	3 Mt	4.9%	1.4%	42 g/t

Source: CSA Global, 21 March 2018

Ice

Staked as Ice cl 1-16 cl (YB74423) in February 1996 by Expatriate Resources Ltd to cover a copper soil geochemical anomaly identified during a 1973 survey managed by Archer, Cathro & Associates Ltd. In May 1996, a company geologist discovered secondary copper mineralization near the occurrence location, leading Expatriate to stake Ice cl 17-48 (YB844050). Between June 1996 and June 1997 the company staked an additional 1 057 Ice claims.

Work in 1996 consisted of geological mapping, prospecting, grid soil sampling, ground geophysical surveys and 34 diamond drill holes (2,704m). All of the work was carried out in a 5 km area centred on the occurrence location. Following completion of the 1996 field program, Expatriate flew an airborne geophysical survey over the entire claim block.

In 1997 Expatriate carried out regional geological mapping, prospecting, and soil sampling programs over the entire property and continued detailed geological mapping, soil sampling and geophysical programs around the occurrence area. The company drilled 87 diamond drill holes (7,880m), of which all but 5, tested the known deposit (occurrence).

The Expatriate Resource's 2003 assessment report lists a revised sectional resource (not NI 43-101 compliant) as follows:

Ice deposit mineral resource estimate (cut-off unknown)

Classification	Tonnes	Cu
Historical estimate	1 Mt	4.35%

Source: Moore et al. 2003. Assessment Report 091385

In December 2004 Expatriate reorganized and transferred most of its exploration projects outside the Finlayson District to its subsidiary Pacifica Resources Ltd and then changed its name to Yukon Zinc Corporation.

8. Directors & Management Team

The BMC (UK) Limited board is a team with a track record in successfully delivering economic mining operations outside of the framework of industry majors. The BMC Board has a clear objective to identify and acquire metals assets with real economic viability and efficiently progress projects through defined stages such as JORC compliant mineral resources, pre-feasibility and definitive feasibility studies, development and operational oversight.

The BMC (UK) Limited management team has a broad range of experience in mining administration and operations.

Gary Comb – Chairman

Gary has 35 years of experience in the international mining industry. As Managing Director of Jabiru Metals Ltd he oversaw the acquisition, feasibility study and construction of the Jaguar copper/zinc/silver mine in Western Australia as well as the successful sale of the company to Independence Group NL. Gary is currently a Non-Executive Director of a number of other resource based public companies and Chairman of ASX listed Finders Resources Ltd.

Scott Donaldson – CEO & Executive Director

Scott is a qualified mining engineer with a graduate diploma in business, he brings 30 years of experience in the mining industry in Australia, New Zealand and Canada.

An experienced company director, Scott has also fulfilled management roles in the successful development of (from pre-feasibility to construction, commissioning and production) a number of Australian mining and mineral processing projects over more than 30 years including the Jaguar copper/zinc/silver project with Jabiru Metals, Western Metals' Pillara lead-zinc project, Tectonic Resources' Rav8 nickel project, and the Coobina chromite project with Consolidated Minerals.

The Directors and management have strong backgrounds in mineral exploration, mining and process engineering, mine management, finance and accounting

Neil Martin – Executive Director, Exploration and Development

Neil is a geologist with over 30 years of experience in mineral exploration and mining across a range of commodities including gold and base metals. His experience has included project generation, through to near mine exploration and mining.

The holder of a PhD in geology from the University of Tasmania (CODES), he has a successful career in the mining and exploration industry. An experienced company director, he has also held senior executive roles as Exploration Manager of Jabiru Metals Ltd, Chief Geologist of Independence Group NL, and previous Senior Geologist and District Geologist roles with Acacia Resources Ltd, MIM Exploration, and Dominion Mining Limited.

Global Natural Resource Investments (GNRI)

GNRI are also entitled to appoint representatives to the Board and they currently have three non-executive directors on the Board, including David Ellis, Managing Director of GNRI.

George Smith – Group Engineer

George is an internationally experienced mining engineer with over 25 years' experience in the mining industries of Australia and Canada. He has worked in operational, technical and managerial roles for a diverse range of companies, including Barrick Gold Corporation, Tectonic Resources NL, AMC Consultants Pty Ltd and MacMahon Underground Pty Ltd. As well as operations his experience includes leading and managing feasibility studies, strategic analysis and optimisation, asset evaluation, mine design and cost estimation and financial modelling. George is a Chartered Professional Member of the AusIMM and also holds a M.Sc. in Mineral Economics from Curtin University.

Gerbrand van Heerden – Chief Financial Officer

Gerbrand is both a CPA registered with the Chartered Professional Accountants of British Columbia and a CA(SA) registered in South Africa. He is also the holder of a B Com Accounting and Honours Degree in Accounting from the University of Johannesburg. Most recently he served as Chief Financial Officer and Senior Vice President, Business Initiatives and Development with TSX-listed Canadian company Trevali Mining Corporation based in their Vancouver (Canada) office, joining Trevali as part of their acquisition of the Rosh Pinah mine in Namibia and the Perkoa Mine in Burkina Faso, and together with the Caribou Mine in New Brunswick Canada and Santander Mine in Peru, became the 8th largest zinc producer globally. Before that Gerbrand held senior executive roles with Metorex Limited, a listed base metals producer and developer in Southern Africa as well as Glencore in Namibia. He has altogether experience of over 20 years in the mining industry in Africa, North and South America.

9. Investment Risks

BMC is exposed to a number of risks including:

- **Geological risk**: the actual characteristics of an ore deposit may differ significantly from initial interpretations.
- **Resource risk:** all resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.
- **Feasibility risk:** once mineral deposits are discovered, it take a number of years from the initial phases of drilling until production is possible, during which the economic feasibility of production may change. Substantial time and expenditures are required to:
  - establish mineral reserves through drilling;
  - determine appropriate mining and metallurgical processes for optimizing the recovery of metal contained in ore;
  - obtain environmental and other licenses;
  - construct mining, processing facilities and infrastructure required for greenfield properties; and
  - obtain the ore or extract the minerals from the ore.
- **Commodity price risk:** The revenue BMC derives from the sale of copper, lead and zinc concentrates with gold and silver credits expose the potential income to copper, lead, zinc, gold and silver price risk. The metal prices fluctuate and are affected by many factors beyond the control of BMC. Such factors include supply and demand fluctuations, technological advancements and macro-economic factors.
- **Exchange Rate risk:** The revenue BMC derives from the sale of copper, lead and zinc concentrates with gold and silver credits exposes the potential income to exchange rate risk. International prices of various commodities are denominated in United States dollars, whereas the costs base and the financial reporting currency of BMC is the Canadian dollar, exposing the company to the fluctuations and volatility of the rate of exchange between the CAD and USD as determined by international markets**.**
- **Mining risk:** A reduction in mine production would result in reduced revenue.
- **Processing risks:** A reduction in plant throughput would result in reduced revenue. In all processing plants, some metal is lost rather than reporting to the valuable product. If the recovery of metal is less than forecast, then revenue will be reduced.
- **Operational cost risk:** an increase in operating costs will reduce the profitability and free cash generation of the project.
- **Management and labour risk**: an experienced and skilled management team is essential to the successful development and operation of mining projects.

10. References

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Disclosure

This report was prepared by Jean-François Bertincourt of Terra Studio Pty Ltd ABN 88 143 830 219 at the request of BMC Minerals (No.1) Limited ("the Company"). Terra Studio Pty Ltd has received a consultancy fee for its preparation.

Terra Studio Pty Ltd has completed work on behalf of the Company in the previous 12 months and has been paid fees on commercial terms by the Company for its services.

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