

February 2018



Asiamet Resources Limited *



Relentless forward progress

Asiamet Resources Ltd*

February 2018

Price Target: 19p

BUY

Stock Data

| | |
|--------------|--------|
| Share Price: | 9.5p |
| Market Cap: | £81.3m |
| Shares Out: | 856.7m |

Company Profile

| | |
|-----------|--------------------------|
| Sector: | Mining |
| Ticker: | ARS.L |
| Exchange: | AIM |
| Website: | www.asiametresources.com |

Activities

Exploration and development in Indonesia where Asiamet has a large resource base and management has a proven track record in the country. Asiamet's primary focus is on copper and the company plans to build an Asian focussed sustainable copper mining business. The near-term focus is on developing the BKM copper project, currently nearing the completion of feasibility.

Performance Data

| | |
|----------------|---------------|
| 52 Week Range: | 2.5p to 11.6p |
|----------------|---------------|

Directors

| | |
|----------------|--------------------------|
| Tony Manini | Director, Exec-Chairman |
| Peter Bird | Director, CEO |
| Stephen Hughes | Director, VP Exploration |
| Peter Pollard | Non-Exec Director |
| Faldi Ismail | Non-Exec Director |

Major Shareholders

| | |
|----------------------|-------|
| JP Morgan Asset Man | 8.31% |
| Asipac Group | 4.90% |
| Board & Management | 4.82% |
| Namarong Investments | 4.25% |

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*Optiva Securities Limited acts as broker to Asiamet Resources Limited

Relentless Forward Progress

Asiamet Resources Ltd (ARS) will soon start the transition from an exploration-development company into a low-cost copper producer. 2018 will be a monumental year for Asiamet with the feasibility study for the company's BKM copper project due imminently. This will be followed by the conclusion of project funding and final permitting. Whilst development work continues apace, Asiamet continues to drive value with the drill bit and a maiden resource for the newly discovered polymetallic BKZ zone is expected once the current definition drilling is finished. At Beutong, the crucial Production Licence has been granted, allowing the company to put the project back on the development curve.

Superior returns. Asiamet shares have seen a renewed correlation to the copper price. With a high-degree of leverage, the stock has out-performed copper significantly, and over the last two years, the company's share price has increased 811%, or 9.1x, versus copper which increased 44% over the same period. Asiamet's performance has eclipsed both the FTSE 350 Mining Index and the major copper producers. Favourable copper market fundamentals are only part of the story as ARS has successfully delivered consistent, high-quality news flow.

Value through the drill-bit. The company has deftly navigated the various challenges presented by the major downturn in the commodities sector, surviving the most severe down cycle for decades. Not only that, but ARS has continued to drill throughout this entire period, generating shareholder value, from both exploration and development drilling. The company has been successful in raising funds and is fully funded through to the completion of BKM feasibility.

Copper is still red hot. Asiamet has thus emerged from this downturn with a robust, near-term production project, just as the copper sector emerges from the doldrums. We see further gains in the copper price, as the structural deficit starts to bite in 2018. We anticipate the potent mix of declining mine production, limited new supply, strikes at major operations, and declining warehouse inventories continuing over the next few years. The projected global EV build-out should materially increase copper consumption, and underpin the next copper cycle.

BKM Feasibility imminent. The feasibility work stream is in full swing, and Asiamet anticipates completion within the next 6 months. A highly competent team of contractors and consultants has been assembled to work alongside the study manager Mark Young, a proven leader of mineral resources and infrastructure developments globally. Ausenco has recently been appointed to manage process design and engineering. ARS's current work is focusing on the high-grade, low-strip BK44 and BK58 zones, where mining is likely to commence. Ongoing metallurgical test-work continues to indicate that the copper mineralisation is amenable to heap-leach, SX-EW, with high recoveries.

BKZ potential emerging. Rapid exploration progress last year confirmed the discovery of BKZ, a zinc-rich polymetallic zone, 800m north of BKM. Drilling returned exceptionally high-grades, on par with some of the highest-grade new zinc development projects globally. ARS has now moved to definition drilling to generate a maiden resource. Drilling in late 2017 intersected a high-grade copper zone immediately beneath the polymetallic mineralisation, which may have valuable development connotations.

Zinc is on a run. The zinc price is up 114% over the last two years (currently \$1.57/lb), the highest level since August 2007, whilst LME zinc stocks are also at a decade low. Strong demand, sustained under-investment in zinc exploration, long development lead-times, and mine closures support our view that Zinc is likely to be one of the better performing base-metals over the next few years. As the metal continues to emerge from a deep cyclical low, the supply response from the industry looks increasingly uncertain, with a dearth of quality new zinc projects in the development pipeline. Wood Mackenzie forecast a deficit of c.2Mt of refined zinc by 2020.

Beutong back on the burner. The recent grant of the crucial Production Licence de-risks the project and allows ARS to step up the pace of exploration. A rig will be mobilised to site to focus on near-surface high-grade porphyry and skarn zones, and test the strike and depth potential. Several development options are being considered, including potential for heap leach SX-EW.

2018 - Upcoming catalysts. BKM resource update, BKM Feasibility study, Project funding, Final permits, construction decision. Maiden BKZ resource (May). Beutong drilling and metallurgical test work, corporate activity as Asiamet moves along the development curve and continues to de-risk projects.

We maintain our BUY recommendation and increase our target price to 19p/sh, from 8p/sh. We have unloaded a portion of the risk-discount on BKM, but our model parameters remain largely unchanged pending the imminent feasibility. We have updated our Beutong valuation and include value for BKZ for the first time. Our valuation indicates that the stock is currently trading at 0.5x NAV, and we expect a further re-rating as 2018 unfolds.

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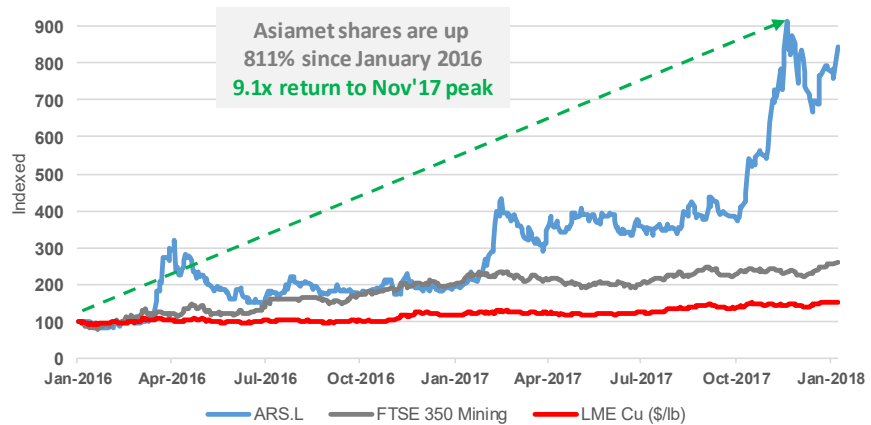
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Asiamet has provided a 9.1x return from January 2016

When we last wrote on Asiamet, we tracked the share price versus LME copper and the FTSE350 throughout 2014 and 2015, to mid-2016. At this point, we assessed that apart from some minor volatility, the share price had largely tracked in-line with the wider mining sector and the copper price. However, given that base metal and related equities had been hit especially hard on the back of the substantial falls in metal prices; e.g., LME copper and nickel prices at the time were down 36% and 40% respectively over the previous two years. We indicated that the stock represented a significant option on copper recovery, along with the potential for a considerable re-rating on the back of development progress. We based this on our anticipation of a structural deficit in the copper market from 2018 onwards, along with development milestones.

Asiamet has delivered in spades. Throughout 2016, the stock continued to track the wider sector, but from early 2017 as the copper market improved, and the company released a raft of excellent exploration results, the company's share price appreciated markedly. From January 2016, the share price has increased 811%, or a return of 9.1x to the recent high in November 2017.

Figure 1 - Asiamet share price vs FTSE350 Mining Index (Indexed: Jan-2016 = 100)



Source: LSE, LME

The chart above demonstrates the equity leverage of ARS above and beyond the copper price, which increased 44% over the same period. As the ARS price has increased by such a large margin, a chart based on indexed data masks the relative movements in the copper price. We plot below ARS versus LME Cu, on separate axis, which reveals the high degree of correlation between the two variables.

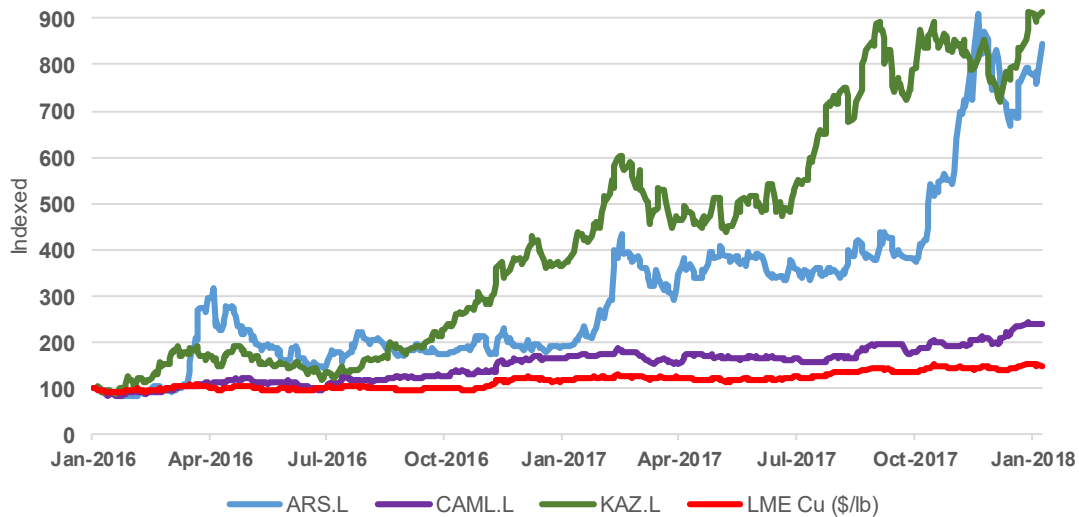
Figure 2 - Asiamet share price vs Copper price



Source: LSE, LME

Asiamet share price has followed a similar trajectory to Kaz Minerals (KAZ,L), a major copper producer (250ktpa Cu) that has undergone a huge recovery re-rating over the same period. We note that over and above the copper price, Asiamet's performance in Q4 2017 was largely driven by the company delivering positive newsflow.

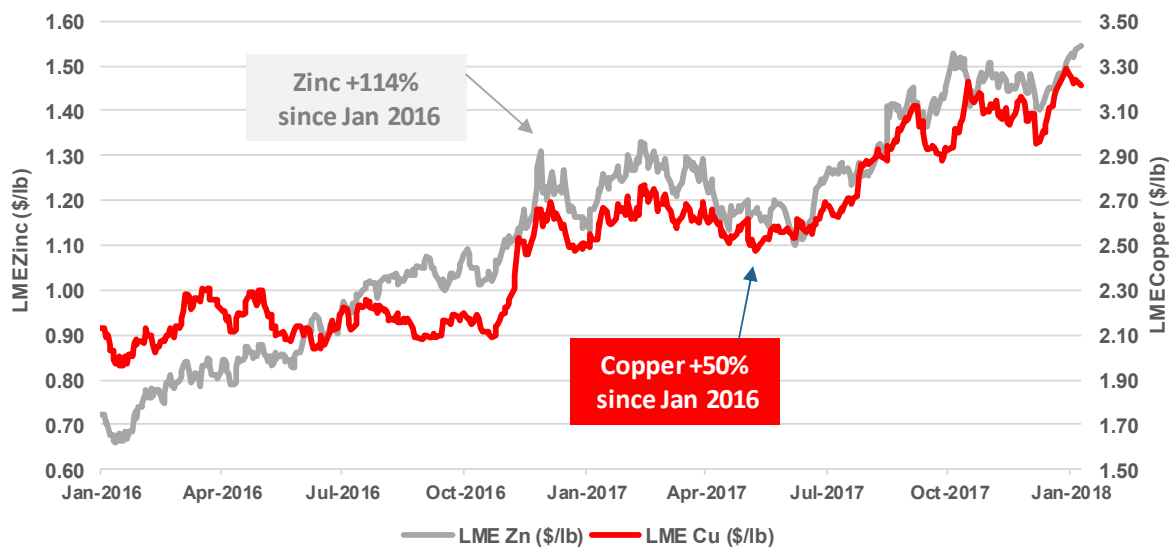
Figure 3 – Asiamet versus LME copper and benchmark copper equities (producers). Indexed Jan 2016



Source: LSE, LME, Optiva

Zinc is flying.....

Figure 4 – LME Zinc vs. LME Copper

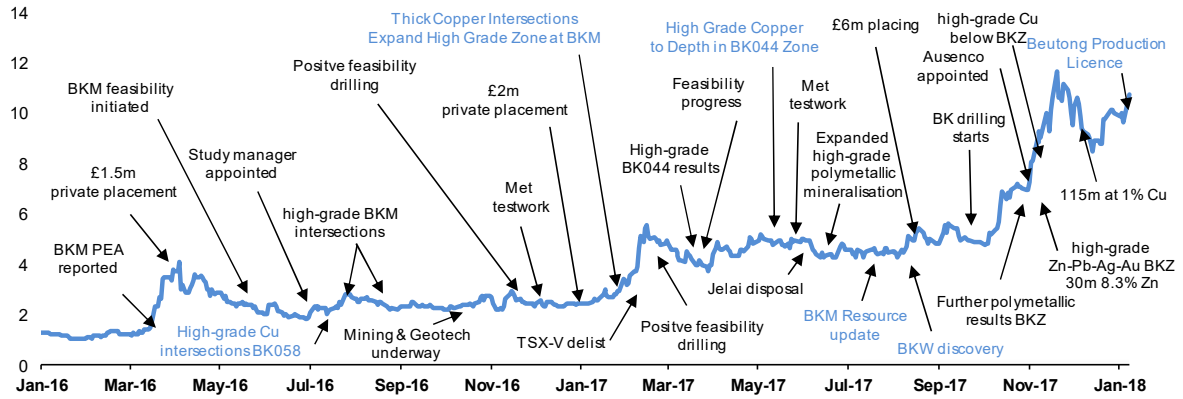


Source: LME, Optiva

Share Price versus news flow

The return of favourable copper market fundamentals, is only part of the story. Asiamet has been extremely successful in delivering consistent, high-quality news flow throughout the last 18 months. In the chart below, we plot key RNS releases against the share price. In particular the results from BKM, and the discovery of the BKZ Polymetallic zone produced a significant rerating in the company's share price.

Figure 5 –Recent share price graph (p) and key events. News highlights in blue



Source: LSE, Optiva

Asiamet: Through the dip and out the other side

Asiamet Resources Limited (“Asiamet” or “ARS”) is a AIM-quoted exploration and development company focused on the development of copper-gold projects in Indonesia. The company’s focus is the wholly-owned BKM deposit, part of the KSK CoW, which is currently approaching the completion of feasibility. The company has deftly navigated the various challenges thrown up by the major cyclical downturn in the commodities sector. Unlike numerous other explorers and developers, the company has retained its project portfolio in Indonesia, and continued to secure funding to progress project development. Asiamet has survived the most severe down cycle for decades, but “survival” understates the company’s progress.

- We believe it is **key differentiating point** that Asiamet has continued to drill throughout this entire period, putting money into the ground, and ultimately generating shareholder value through the drill bit. The shallow, benign drilling conditions at the BKM deposit and nearby environs has enabled the Company to deploy its in-house drill rigs on an owner/operator basis, with limited drilling by external contractors. This has provided considerable budget and planning flexibility and allowed the company to drill continuously given all-in drilling costs are very low when compared to industry norms.
- The company’s **strategy remains the same**. Providing investors with exposure to an advanced copper development play and considerable optionality on copper price recovery, at the beginning of what we believe is the next major upcycle in the copper (and base metal) industry. Asiamet plans to build a low capital intensity, low cost, scalable copper mine.
- Asiamet remains **on track to build a long term sustainable copper business**, with the company’s asset pipeline at KSK (BKM) and EMM (Beutong) populated with projects spanning the whole development curve. The near-term focus remains on bringing BKM into production, but other opportunities have emerged such as the new zinc-rich polymetallic discovery at BKZ and the high grade polymetallic vein system at Baroi. The portfolio also contains the giant Beutong copper porphyry deposit, where the recent grant of the production licence will see exploration activity step-up significantly in 2018.
- **Indonesia, remains an exciting jurisdiction** to be exploring and developing, as geologically we view it as one of the most prospective terrains in the world. Asiamet has demonstrated this point clearly over the last couple of years with an impressive track record of discovery. We don’t expect Indonesia’s ban on exporting concentrates to have a particularly onerous impact on Asiamet at this stage as the company plans to produce LME cathode via a heap leach / SX-EW at the BKM site. For any ore, not leachable there are also potential concessions to the government’s requirement for existing CoW holders, as we believe the government will ultimately have to support the development of small to mid-tier projects which do not have sufficient scale to support in-country smelting.
- **Copper and Zinc are still red hot**. We see further potential gains in the **copper** price, as the structural deficit starts to bite in 2018. We anticipate the potent mix of declining mine production, limited new supply coming on stream, strikes at major operations, and declining warehouse inventories continuing over the next few years. We maintain that the copper required to satisfy the projected global build-out in electric vehicles will materially increase copper consumption and underpin the next copper cycle. Likewise, **zinc** is also forecast to dip further into deficit, with strong demand fundamentals, low LME inventories, and a lack of quality new zinc projects projected to come onstream.
- **Development yes, but still exploration upside**. The main catalyst for 2018 will be the completion of the feasibility study for BKM. There are multiple work streams active, and Asiamet anticipates completion somewhere around mid-year. This will allow the company to pursue funding for mine development, and the necessary approvals required to allow construction activities to commence. Whilst this is critical de-risking event on the company’s journey towards becoming a producer, we do not forget that Asiamet plans to continue aggressive exploration on its target rich portfolio once development work is underway. The main project we will be watching is the resource drill-out of the BKZ polymetallic deposit and underlying copper zone, and we are very enthusiastic about seeing the company secure a forestry permit in order to commence drilling at the Baroi prospect.

Funded through to completion of feasibility

In September 2017, Asiamet closed a placing to raise £6m (\$7.9m). The placing was priced at 4.3p/sh and received strong support from both institutional and retail investors. As a result, the company is funded through to the completion of feasibility at BKM.

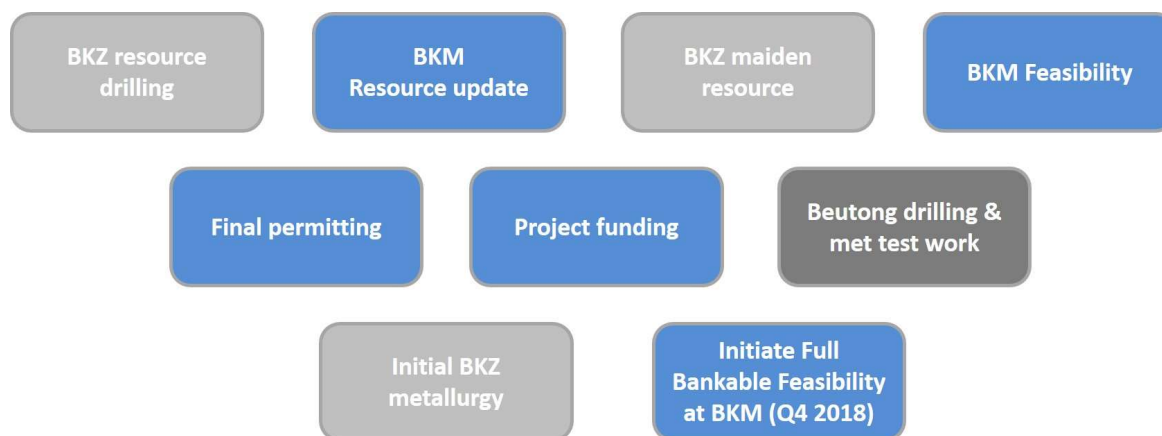
Significantly, several of Asiamet's large existing shareholders; Asipac Group Pty Ltd. and Namarong Investments Pty Ltd, participated in the Placing, subscribing for 7.4m and 7.2m Placing Shares respectively, taking their holdings to 4.9% and 4.25% correspondingly, following the admission of shares. Another positive element was that major institution, JP Morgan Asset Management, participated in the placing for 71m, representing a holding of 8.31%. The main aims of the placing were as follows:

- Provide funds to complete the definitive feasibility study for the BKM Copper Project and advance project financing initiatives.
- Drilling of high priority copper and polymetallic targets at BKZ.
- Commence initial drilling aimed at expanding the Beutong Porphyry Cu-Au-Mo deposit to the west, east and at depth where strong mineralisation remains open (funds would not cover a more expansive drill program).
- General working capital purposes.

Upcoming catalysts

2018 will be an important year for Asiamet as momentum at BKM increases towards the completion of the DFS and onto project funding. In addition to BKM feasibility progress, we also anticipate a maiden resource for the BKZ polymetallic zone (May), and drill results from Beutong. We outline below what we think will be some of the main events with potential to drive a further re-rating of the company's shares in 2018.

Figure 6 - Key catalysts and events – the next 12 months, not necessarily in chronological order



Source: Optiva Securities estimates

Valuation update

We increase our short-term target price for Asiamet to 19p/sh from 8p/sh. This is based on a DCF valuation of BKM and an updated indicative resource value for Beutong. For the first time we assign a conservative value to reflect Asiamet's recent BKZ polymetallic discovery.

This is a short-term target price, and we will review our valuation again once Asiamet publishes the feasibility study for BKM, which we anticipate in Q2 2018. After adjusting for cash, cash from options and warrants and our view of discounted forward corporate G&A, we derive a NAV of \$229m (£170m), or 19p/sh for the company.

This implies that the stock (at 9.5p/sh) is currently trading at 0.5x NAV, a marked discount, reflecting our view that further price appreciation is likely, on the back of further development progress. We view 2018 as an important year for Asiamet, one which should see the company start transitioning towards becoming a copper producer. Given the newsflow slated for 2018, we see numerous opportunities for a further re-rating, and still view the current share price as an attractive entry point. Furthermore, given the inescapable structural deficit emerging in the copper market, we see additional scope for price appreciation on the back of further gains in the copper price.

Figure 7 - Sum of the parts NAV valuation – Optiva estimates

| Valuation | | | | | |
|--------------------------------|--------------|------|------------|------------|--------------|
| Net Asset Value | | | \$m | £m | £/sh |
| Unrisked | | | | | |
| BKM (unrisked) | Disc Rate | 10% | 164 | 121 | 0.13 |
| Risked valuation | | | | | |
| BKM (risked) | NAV multiple | 0.75 | 123 | 91 | 0.10 |
| BKZ polymetallic | - | | 28 | 21 | 0.02 |
| Beutong | - | | 90 | 67 | 0.07 |
| Other | - | | 0 | 0 | 0.00 |
| Sub-total | | | 241 | 178 | 0.20 |
| Cash | | | 8 | 6 | 0.01 |
| Cash from warrants & options | | | 3 | 2 | 0.00 |
| Debt | | | 0 | 0 | 0.00 |
| Corporate G&A/ Other | | | -14 | (11) | (0.01) |
| Valuation | | | 229 | 170 | £0.19 |
| Shares on issue (basic) | | | | | 857 |
| Shares diluted | | | | | 914 |
| Current NAV Multiple (Implied) | | | | | 0.52x |

Source: Optiva estimates

We assign a nominal value to Beutong (based on current 40% interest), based on a conservative resource metric (discounted multiple to the peer average) for M&I, and Inferred resources. Given the recent (Jan 8th, 2018) granting of the production licence for the project, a significant de-risking event, we upgrade our indicative valuation to \$90m, from \$38m previously. We view Beutong as having exceptional potential, but given the early stage of development, and focus on BKM, we assign only a small option-value to the project. We also note that Asiamet has an option to increase its interest from 40% to 60% (A\$2.875m payment) in the next few months, and to 80% on completion of a feasibility study and further A\$1.5m payment.

Our valuation is on a fully diluted share basis, 914m shares, being 857m shares currently outstanding, plus 9.1m warrants, and 48.7m options. As our valuation is calculated on a fully-diluted basis, we also include the cash in from the exercise of warrants and options. Our valuation is on a pre-financing basis, we do not include future potential equity raises and believe it is too early to make gross assumptions on any potential funding structure and debt:equity mix and terms. This is compensated for by our current NAV valuation multiple, and conservative valuation approach.

BKM Main valuation

We have updated our model for BKM and derive an NPV^{10%} of \$164m and attractive IRR of 38%. We have made no change to mining or operating parameters, pending the imminent release of the full feasibility study for BKM in Q2 2018. We have updated exchange rates (FX USD:GBP 1.35), and we have moved to spot-based, flat-forward long term copper price of \$3.20/lb. We have also rolled over our DCF valuation to reflect a 2018 basis to start discounting cash flows and reduced our discount rate to 10% from 12%.

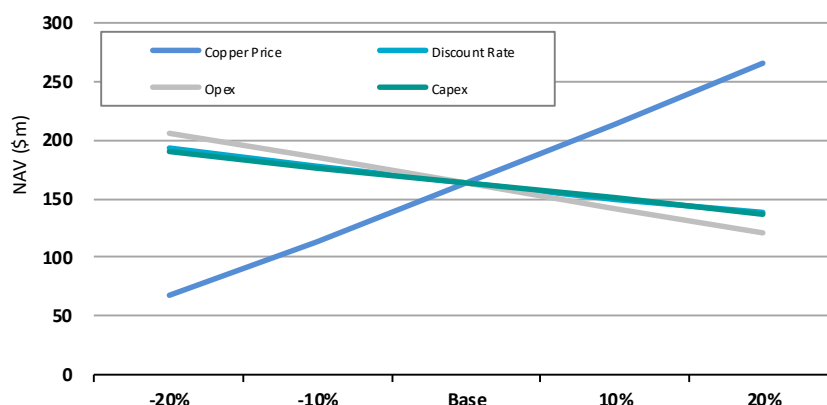
We generally value advanced exploration and development projects in the range of 0.2x-1.0x NAV, in line with industry averages. We believe that Asiamet deserves to trade in the upper-middle of this range with a robust, high-quality, low-cost, near-term production asset with attractive economics and significant growth potential. We also view Asiamet has having satellite exploration potential, largely unrivalled in the sector. This is off-set by risks around financing, timelines, and Indonesian mining legislation.

Over the last 18 months we have seen Asiamet significantly de-risk the BKM project, and our confidence has been increased considerably by the raft of positive results from in-fill and extension drilling undertaken since our last valuation. As a result, we have decreased the risk discount on the asset NPV valuation and increase our Net Asset Value (P/NAV) multiple to 0.75x from 0.5x.

BKM sensitivity Analysis

Our valuation analysis indicates that Asiamet shows strong copper leverage and remains a decent way to play a the continued rebound in the copper price, in our view. Our NAV increases by 31% for a 10% change in the copper price, above the industry norm. Further rebound in the copper price would have a significant impact on NAV, as detailed below.

Figure 8 - NAV Sensitivity analysis chart



Source: Optiva estimates

Figure 9 - BKM Project NPV - Discount rate vs copper price (flat forward price basis)

BKM NPV Sensitivity (£/sh FD)

| Copper (\$/lb) | Discount rate | | | |
|----------------|---------------|------|-------------|------|
| | 5% | 8% | 10% | 12% |
| 2.25 | 0.04 | 0.02 | 0.01 | 0.00 |
| 2.50 | 0.09 | 0.06 | 0.05 | 0.03 |
| 3.00 | 0.17 | 0.13 | 0.11 | 0.09 |
| Spot | 0.20 | 0.16 | 0.13 | 0.11 |
| 3.50 | 0.25 | 0.20 | 0.17 | 0.15 |
| 4.00 | 0.34 | 0.27 | 0.24 | 0.20 |
| 4.50 | 0.42 | 0.34 | 0.30 | 0.26 |

BKM NPV Sensitivity (US\$m)

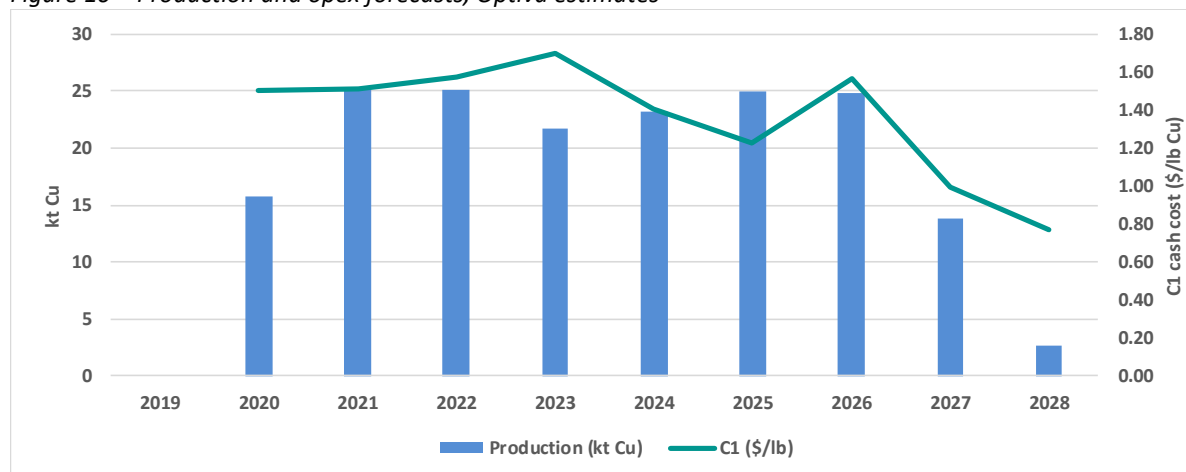
| Copper (\$/lb) | Discount rate | | | |
|----------------|---------------|-----|------------|-----|
| | 5% | 8% | 10% | 12% |
| 2.25 | 53 | 28 | 15 | 5 |
| 2.50 | 108 | 75 | 57 | 42 |
| 3.00 | 207 | 158 | 132 | 109 |
| Spot | 250 | 194 | 164 | 138 |
| 3.50 | 313 | 247 | 211 | 181 |
| 4.00 | 418 | 336 | 291 | 252 |
| 4.50 | 524 | 424 | 370 | 323 |

Source: Optiva estimates

Production and Cash flow profile

Our DCF model for BKM remains closely based on the parameters from the May 2016 PEA. We estimate annual average copper production of 20ktpa over the LOM including ramp-up and ramp-down years, with peak production of 25ktpa Cu over the main 6 years of operation. We assume an 8-year mine life based on the current resources, as per the PEA. We forecast LOM average C1 cash costs (including off-site transport and royalties, but excluding sustaining capex) at \$1.37/lb and all-in (C1 plus sustaining capex and corporate G&A) at \$1.58/lb.

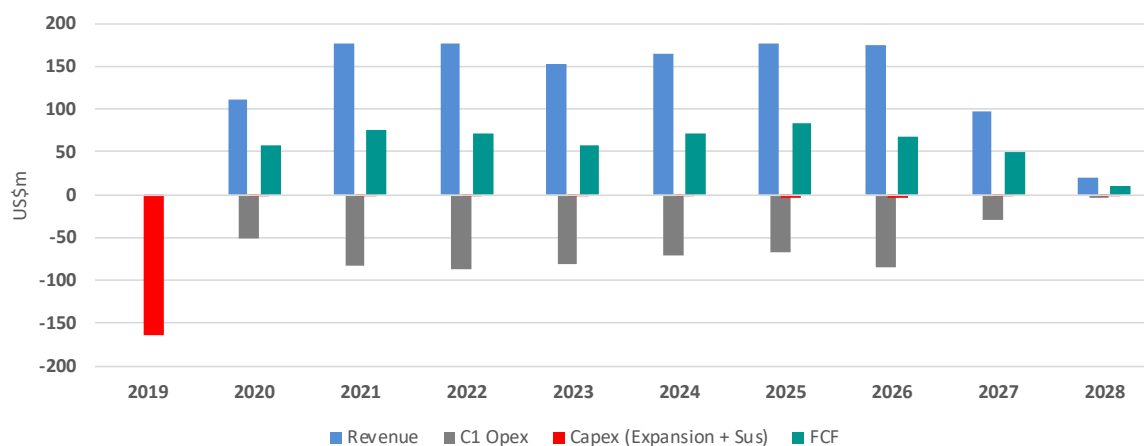
Figure 10 - Production and opex forecasts, Optiva estimates



Source: Optiva estimates

We have pushed forward development of the project by one year, assuming that construction commences in 2019 and production starts in 2020. Peak capex is in 2019. Our model is based on the \$164m capex estimate reported in the PEA. We forecast annual average; revenue of \$139m, EBITDA of \$76m and Free-cash flow (post tax) of \$60m p.a. We believe the economics of the BKM deposit appear to be exceptionally robust, with decent margins, a short payback period and high levels of free-cash flow once in operation. However, we view the current figures as conceptual as we expect a major update to the numbers in the upcoming feasibility study.

Figure 11 - BKM deposit Financials profile, Optiva estimates



Source: Optiva estimates

Maiden nominal BKZ Valuation

We have incorporated a maiden valuation of Asiamet's BKZ's zinc-rich polymetallic discovery for the first time. Our valuation is highly indicative and this stage, and is based on a highly discounted in-situ value, which is in turn based on an approximate back-of-the-envelope potential resource tonnage and grade. We assign \$28m, or 2p/sh value for BKZ.

We base solely on analysis of the recent drilling and key intercepts. Our tonnage estimate is based on current assumed 250m x 110m mineralised zone, and we take an average true thickness of 20m. Based on this we derive an assumed tonnage of 1.448Mt using an average BKM specific gravity. We calculate weighted average grades of 7.21% Zn, 2.45%Pb (9.76% combined Zn+Pb), silver 82g/t, gold 0.35g/t, and copper 0.23%. Note that this does not include any of the dilution and geostatistical assumptions and is not a resource estimate or target.

As we typically view in-situ values as providing a ball-park, early indicator of value only and because this method does not reflect any real economics, dilution, costs etc, we apply a punitive discount to these figures. Thus, we discount the weighted grades by 50%, apply spot metals prices, and then apply a 0.1x multiple to derive a placeholder value of \$28m, a large discount to the metal in the ground value of \$554m.

Note that the metal in the ground value is an in-situ value, i.e. contained metal x metal prices to which we typically view as having limited read-through to actual project value. However, in the absence of further information, and pre-resource, we use it in a conceptual basis to recognise some option value to the BKZ prospect.

Note also, that BKZ is in an early stage of exploration, and whilst the current round of resource drilling is primarily focused on in-fill drilling, the deposit remains open in all directions. Mineralisation has been confirmed over a strike length of 300m and up to 110m in width. Thickness is variably 5m to 40m.

Note that this nominal valuation excludes the recently discovered copper zone feeder structure underlying the upper BKZ deposit. We exclude this at present, as exploration is at an early stage, but we are cognizant of the fact that the copper zone may be the real prize, given the potential synergies of developing the BKZ copper zone in conjunction with BKM.

Figure 12 - BKZ – key intercepts

| HOLE | From | To | Length | Zn (%) | Pb (%) | Ag (g/t) | Au (g/t) | Cu (%) |
|-------------------------|------|------|--------|--------------|-------------|--------------|-------------|-------------|
| BKZ33700-03 | 14 | 44 | 30 | 8.3 | 3.31 | 38.7 | 0.51 | 0.16 |
| BKZ33700-03 | 50 | 54 | 4 | 1.62 | 0 | 4.3 | 0.13 | - |
| BKZ33700-03 | 57 | 59 | 2 | 1.2 | 0 | 2.4 | 0.12 | - |
| BKZ33750-01 | 1.25 | 9.5 | 8.25 | 4.04 | 1.92 | 41.9 | 0.19 | - |
| BKZ33750-01 | 48.5 | 49.5 | 1 | 12.7 | 4.22 | 27 | - | 0.18 |
| BKZ33750-03 | 22.5 | 44 | 21.5 | 9.06 | 3.86 | 365 | 0.3 | 0.19 |
| BKZ33650-01 | 43 | 73 | 30 | 8.88 | 2.23 | 46 | 0.37 | 0.35 |
| BKZ33650-01 | 78 | 81 | 3 | 2.84 | 1.49 | 10 | - | - |
| BKZ33650-01 | 88 | 89 | 1 | 20.8 | - | 19 | 0.1 | 0.35 |
| BKZ33700-01 | 1.8 | 5 | 3.2 | - | - | 67.8 | 1.15 | 0.1 |
| BKZ33700-01 | 5 | 12 | 7 | 3.7 | 1.27 | 46.2 | 0.24 | 1.03 |
| BKZ33700-02 | 41 | 80 | 39 | 7.32 | 2.35 | 33 | 0.33 | 0.18 |
| BKZ33700-02 | 85 | 88 | 3 | 4.02 | 0.38 | 9.4 | 0.11 | NSA |
| Weighted average | | | | 7.31 | 2.45 | 82.95 | 0.35 | 0.23 |
| | | | | Pb+Zn | 9.76 | | | |

Source: Asiamet, Optiva estimates

Exploration and development round up

BKM - Feasibility imminent

The thrust of work at BKM has been on supporting the imminent completion of the feasibility study. Until then, the PEA economics stand. We expect the production level of c.25ktpa Cu to remain largely unchanged, but we expect a revision to capital and operating costs, updates to the leachable copper by incorporating the latest BKM resource update, and changes to mine sequencing. Asiamet has continued to drill at BKM with the focus on defining continuity in the high-grade BK58 and BK44 zones, with a view to supporting a decision regarding the location of the first pit to be mined at BKM.

BKZ – a new polymetallic discovery.

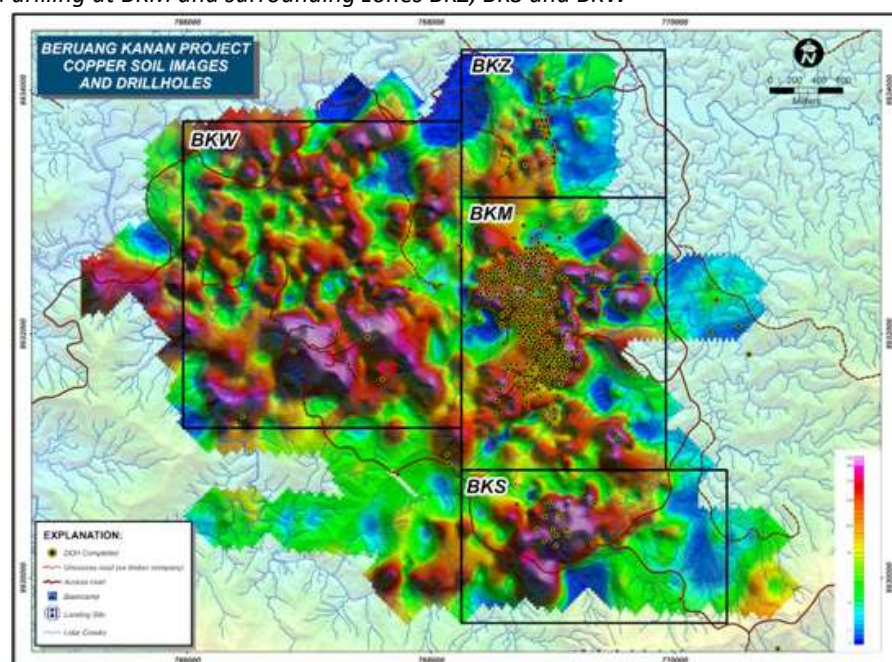
The potential of BKZ is compelling, and if it wasn't before the discovery of the copper-rich feeder zone beneath the polymetallic deposit, it certainly is now, in our view. BKZ will most likely be a standalone operation. The benefits of developing a satellite operation proximal to BKM are potentially very large, piggy-backing off the infrastructure that will be put into place for the development of BKM. We view the BKZ discovery and follow-up drilling as highly encouraging.

Development options are wide open

It is still early stage and until resource definition drilling is complete, it is difficult to gauge the size of the deposit. The mineralisation remains open in most directions and the current round of drilling is focused on in-fill to provide a drill density to generate a resource and to probe the depth potential of the copper zone. We understand from the Asiamet team, that further extension drilling would likely be planned, post resource.

The development options are uncertain at present. The upper BKZ polymetallic deposit is not leachable, but the it appears likely that the underlying copper zone may be amenable to heap leach. Thus, one option could be to pre-strip the polymetallic zone, and then mine the copper zone and send the ore to the BKM processing infrastructure. This would depend on the potential recoveries and further metallurgical test work. The top of the "hill" at BKZ would be used for aggregates, and the strip ratio is very low which provides several options. We await further details as resource work continues, and Asiamet has a better picture of grades and continuity.

Figure 13 - Geochem and drilling at BKM and surrounding zones BKZ, BKS and BKW



Source: Asiamet

BKM

Resource update – M&I up 207%

The bulk of drilling undertaken last year at BKM was to upgrade a higher proportion of the resource to the M&I categories. The programme was highly successful and Asiamet released an updated resource estimate for BKM in June 2017. The updated resource is important because it demonstrates the robust nature of tonnages, grade, and continuity. As Asiamet continued to drill, virtually every hole increased the company's confidence in the deposit.

The result was the copper contained within the measured and indicated categories increased by 207% in comparison to the previous October 2015 resource. Measured and Indicated Resources increased to 49.2Mt at 0.70% copper containing 711.3Mlbs (322.6kt tonnes) of copper at a 0.2% copper cut-off grade. Overall an additional 66Mlbs (30kt Cu) was added to the resource inventory.

This means that an impressive 75% of the total copper in the resource, sits in the higher confidence M&I categories. Furthermore, 73% of the copper contained in Resources is within the April 2016 BKM PEA conceptual open pit mine design. This means that **we would expect a strong conversion of resources to reserves when the modifying factors are applied in the forthcoming feasibility.**

Figure 14 - BKM resource (NI-43-101) June 2017, at a 0.2% Cu cut-off

| Category | Tonnage Mt | Copper grade % Cu | Contained Copper kt | Contained Copper Mlbs |
|--------------|---------------|----------------------|------------------------|--------------------------|
| Measured | 20.5 | 0.70 | 147.7 | 326 |
| Indicated | 28.7 | 0.60 | 174.9 | 386 |
| M&I | 49.2 | 0.64 | 322.6 | 711 |
| Inferred | 17.7 | 0.6 | 109.3 | 241 |
| Total | 66.9 | 0.63 | 431.9 | 952 |

Source: Asiamet

Metallurgy continues to stand up to scrutiny

As part of the BFS, Asiamet has been undertaking a comprehensive metallurgical testwork programme. This is critical given that metallurgical recoveries are a common factor in the underperformance of other heap leach deposits around the world. During the latest resource drilling programme, several holes were specifically drilled throughout the BKM deposit to collect representative samples of various material types and grades for detailed metallurgical test-work.

What? Six composites were prepared and a total of 20 columns, comprising 12 short columns (2m) and 8 long columns (6m), were prepared to allow column-leach testwork to be carried out. Each composite was tested at two crush sizes; 12.5 mm and 19mm. The short columns were decommissioned after a 200-day cycle, and the long columns were decommissioned after a 270-day cycle.

Why? The met test work programme was designed to determine key design criteria for the leaching, solvent extraction and electro-winning facilities. In combination with hydrodynamic testing, the testwork provides critical information to establish leach recoveries targets. It also will help determine the crush size of the ore delivered to the pad.

Results. The results from the short columns were in line with expectations of the PEA (85% recovery of leachable copper). **Firstly**, it confirmed that the copper minerals in the BKM deposit are amenable to heap leaching. **Secondly**, it confirmed that acid consumption characteristics are favourable, with the ore consuming little or no acid. **Thirdly**, it has determined that the finer crush size ore will be delivered to the heap leach pad. The residual material from the long 6m columns has been sent for assay, and the results are pending.

Feasibility workstream is in full swing

Activities to support the BKM feasibility study are in full swing. Asiamet has assembled a highly competent team of contractor and consultants to work alongside the in-house team. The feasibility study is being managed internally, with expert consultants used for key components of the study. Key appointments include:

- **Ausenco** – process design and engineering. This includes key components such as SX-EW design, and heap leachpad design. Ausenco has particular expertise in both Indonesia, and SX-EW / Heap Leach design.
- **PT Inter Delta Persada:** Large diameter core drilling for metallurgy
- **PT Intertek Utama Services:** Drilling and environmental Assays
- **Hackman & Associates:** Geology and Mineral Resources
- **Mworx:** Detailed metallurgical test-work program design and management
- **AMDAD:** Mine design and engineering, mine capital and operating cost studies
- **PT Lorax:** Environmental Geoscience and Hydrology
- **Pells Sullivan Meynink (PSM):** Mine geotechnical, waste dump and infrastructure location/design

Significant progress has been made over the last 12 months. We track numerous companies at varying stages of development, but we continue to remain impressed at Asiamet's pace of activities and the relentless forward progress. This further increases our confidence that project will ultimately become a producing mine.

The various work streams over the last year are too numerous to mention, but have included drilling to upgrade resource confidence to measured and indicated status (culminating in resource update Q3 2017), detailed metallurgical test work to refine processing performance, initiation of Environmental and Social Impact Assessment (AMDAL) programs and the continuation of Mining and Geoscience studies.

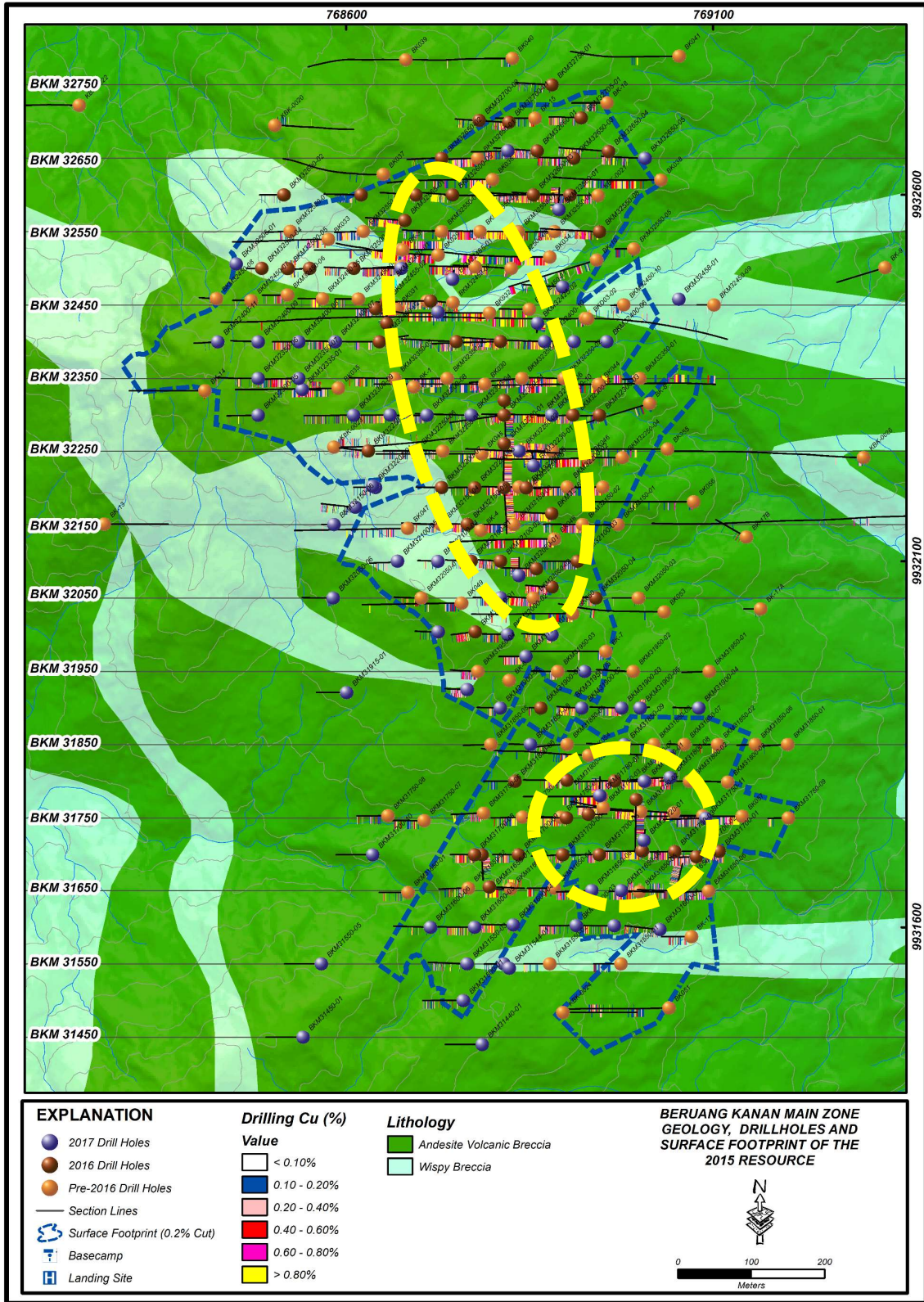
Focus on high-grade core of the deposit

In-fill drilling has primarily focused on the BK44 and BK58 zones, the high grade portions of the BKM deposit. These two zones are particularly important as they are high-grade and low strip, and one of these locations is where mining will kick off when BKM starts production. We understand that Asiamet is yet to select which high-grade zone will be mined first. This will be an important decision, with the potential to reduce the payback period, and ensure high-grade feed with good metallurgical characteristics for the initial production years, whilst the project is still within the capital payback foot print (especially if a major debt finance component is present).

Outside the current envelope – the most important outcome of drilling this year is that broad intervals of high grade copper mineralisation were intersected in a deeper mineral domain extending well beyond the limits of the BKM PEA conceptual open-pit mine design. This raises the potential for a deeper pit and longer mine life. This will be investigated as part of the ongoing feasibility study. Drill hole BKM32400-10 intersected moderate to high grade chalcocite – covellite mineralization to greater than 200m depth, well beyond the BKM PEA conceptual open pit design. We view this as highly encouraging.

Mineral species being defined. Feeding into the metallurgical testwork is the characterisation work to define the distribution of copper mineral species in the BK044 zone and BK058 zone. The distribution of copper mineral species defined at BKM include; 1) Chalcocite dominant, 2) Chalcocite – covellite dominant, 3) Covellite, bornite and chalcopyrite mixed assemblage and 4) Chalcopyrite dominant. The most prevalent copper mineral species zone is chalcocite – covellite dominant, which occurs in both the BK44 and BK58 Zones. This is important in terms of leach performance in the heap pad, and work has been targeting the highest grade, highest solubility and likely highest recovery mineralisation from the BK44 and BK58 zones. Again, this has a critical impact on the economics of initial years of the project.

Figure 15 - High-grade core of the BKM deposit, BK044 and BK0588



Source: Asiamet

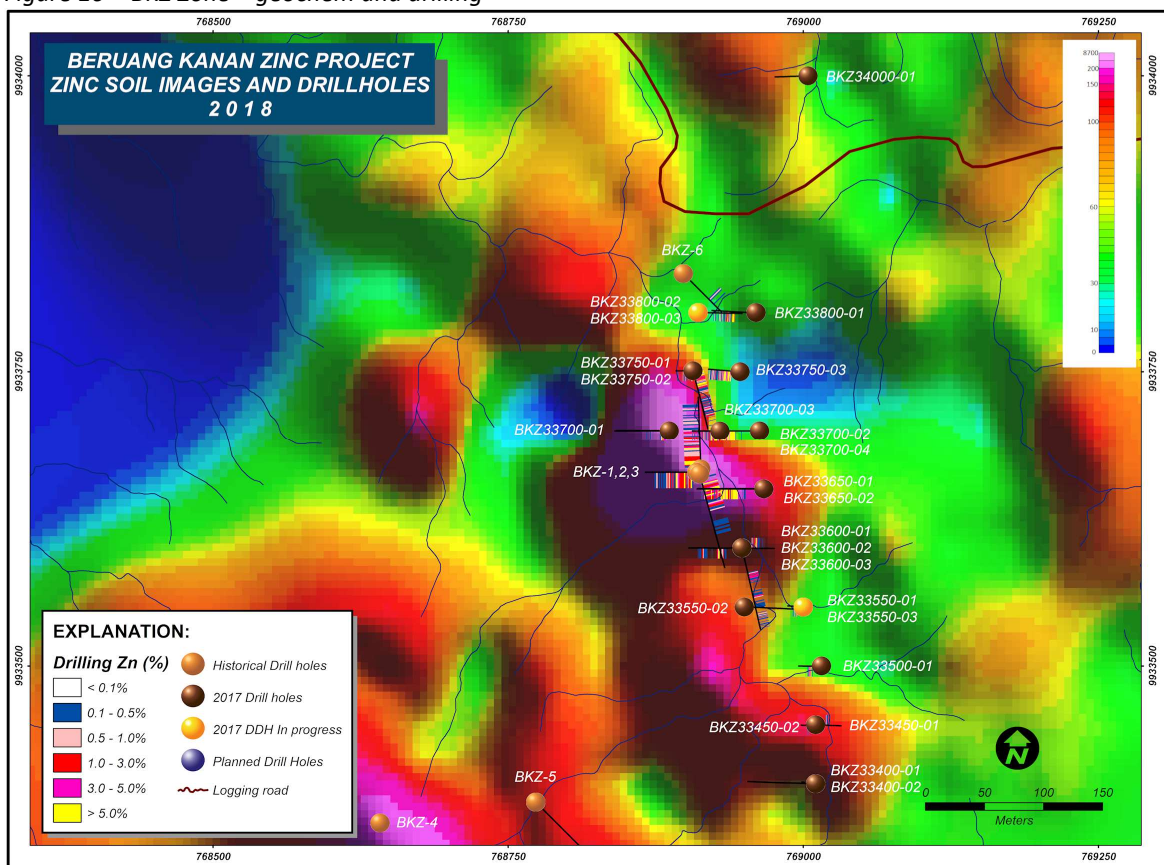
BKZ Polymetallic Zone – all guns blazing

Asiamet has deferred further drilling on the Beruang Kanan West ("BKW"), Beruang Kanan South ("BKS") and BKM prospects deferred until the BKM geotechnical/hydrogeology and BKZ Delineation programs have been completed. Although the exploration potential at BKW and BKS remains extremely good, the focus has naturally shifted to BKZ, which provides opportunities for near-term development.

BKZ is located 800m north of the company's BKM deposit and represents the first of multiple targets outside BKM currently to be tested in the wider BK district.

BKZ evolved rapidly on the back of drilling in Q4 2017 following up on the six holes (592m) that were drilled to test a zone of massive sulphide outcrop over an area of 150m x 100m, plus the three historic holes at BKZ (BKZ-1, BKZ-2, BKZ-3) which had intersected strong polymetallic mineralisation, e.g. 9.47% Zn, 4.87% Pb, 0.26% Cu, 96.5g/t Ag and 0.56g/t Au over 8m from 6m.

Figure 16 - BKZ Zone – geochem and drilling



Source: Asiamet

The footprint remains open in all directions

The mineralisation remains open in all directions and at depth, and drilling to date indicates the polymetallic mineralisation is increasing in grade to the east. Whilst the follow up drilling in Q4 was designed to expand the massive and semi-massive sulphides by completing step-out drilling to the north, south and east, the focus has now changed to in-fill drilling as we outline on the next page. Nevertheless, BKZ still maintains considerable expansion potential, in our view.

The grades at BKZ are exceptional

We view the grades at BKZ as exceptionally promising. The overall tenor of the assay grades so far would put the project on par with some of the high-grade new zinc development projects globally. Highlights include:

| | |
|-------------|--|
| BKZ33700-02 | 39m at 7.3% Zn, including an interval of 23m at 11.1% Zn from 41m |
| BKZ33650-01 | 30m at 8.9% Zn, including 9m at 12% Zn, 5.4% Pb, 94g/t Ag and 0.5g/t Au from 43m |
| BKZ33700-03 | 30m at 8.3% Zn, 3.3%Pb, 39g/t Ag, 0.5g/t Au from 14m, including 13m at 12.5% Zn from 15m |

This is particularly relevant, given that the average zinc industry head grade has been declining since 2000. Boliden estimate that the weighted average zinc head grade will be c.3% by 2025, down from over 5% in 2000. In addition to this, new capacity in the form of greenfield projects and brownfield expansions is populating the pipeline with lower grades and questionable resource quality.

Zinc of course is only part of the picture and BKZ is a true polymetallic orebody with lead, silver, gold and copper. The mineralisation comprises quartz-sulphide veins to massive sphalerite (zinc), galena (lead), chalcopyrite (copper) and pyrite. As Asiamet continues to probe BKZ, the deposit continues to deliver excellent results.

Figure 17 - Core from BKZ-33700-3

Semi-massive Sphalerite (Zn sulphide) and Galena (Pb sulphide) mineralisation in BKZ33700-03. The weighted average grade for the interval 19 – 22m (3m interval) is 15.7% Zn, 6.7% Pb and 68g/t Ag



Source: Asiamet

Resource drilling underway

Given the excellent results from the latest expanded round of drilling at BKZ, Asiamet has upgraded the drill programme to “delineation status”. This change in terminology is highly material, and it signals that the company are now moving into a resource definition phase. This will comprise an extra 3,500m of drilling, over 30 holes to provide sufficient drill density to define a maiden resource on the deposit for both the upper polymetallic mineralisation, and the underlying copper-silver zone. **The BKZ maiden resource expected in May.**

The drilling will be carried out on grid spacing of 25x50m, and with the first rig in position, drilling has commenced. A second rig will be mobilised to site once it has finished a geotechnical programme over at BKM, where drilling is underway over the proposed pit areas and sites of planned infrastructure. For reference the most recent drill programme at BKM, prior to the resource update was on a 50m x50m infill grid. Thus, if continuity is demonstrated, we would expect the maiden BKZ resource to contain a proportion of resources in the indicated category, as opposed to entirely Inferred.

Copper Zone shaping up

In early November 2017, Asiamet reported that in addition to intersecting further thick, near surface high-grade base and precious metal-rich mineralisation, the drilling had also intersected a high-grade copper zone immediately beneath the high grade polymetallic Zn-Pb-Cu-Ag-Au mineralisation. BKZ33650-02 contained an interval of 8.4m at 1.3% Cu, including 3m at 2.7% Cu towards the end of the hole, which indicated the potential for further copper mineralisation at depth. This was later confirmed by a further three holes which demonstrated a copper zone, with a strike length of at least 110m and a true thickness of up to 50m. Copper mineralisation remains open to the south, east, west and down-dip

Asiamet interprets the copper zone to be potentially controlled by the same major structure that controls the location of mineralisation at the BKM Copper Project to the south, highlighting the potential for increased continuity between the two zones. Thus, the feeder zone has important implications for the wider district play. Asiamet sees many geological similarities between this feeder and BKM, although the chemistry is different, with the BKZ feeder being rich in chalcopyrite, pyrite and bornite, whereas BKM is largely dominated by chalcocite and covellite. This has implications for processing, with the upper polymetallic zone at BKZ not being suitable for leaching, unlike the chalcocite/covellite mineralisation at BKM.

The latest batch of drill results (RNS 6th Feb) **confirm the continuity of high-grade copper-silver mineralisation** within the interpreted "Feeder Structure" at BKZ, with up to 6.3% copper over 1-metre sample intervals. This also adds further weight to Asiamet's theory that the BKZ and BKM zones are potentially linked. 6 holes remain in the current delineation programme as of the 6th February, which should be complete by mid-February.

Figure 18 - Core from BKZ-33700-3

High-grade copper mineralisation in BKZ33550-01. The interval 74m - 77m (3m) is 3.0% Cu and 13g/t Ag



Source: Asiamet

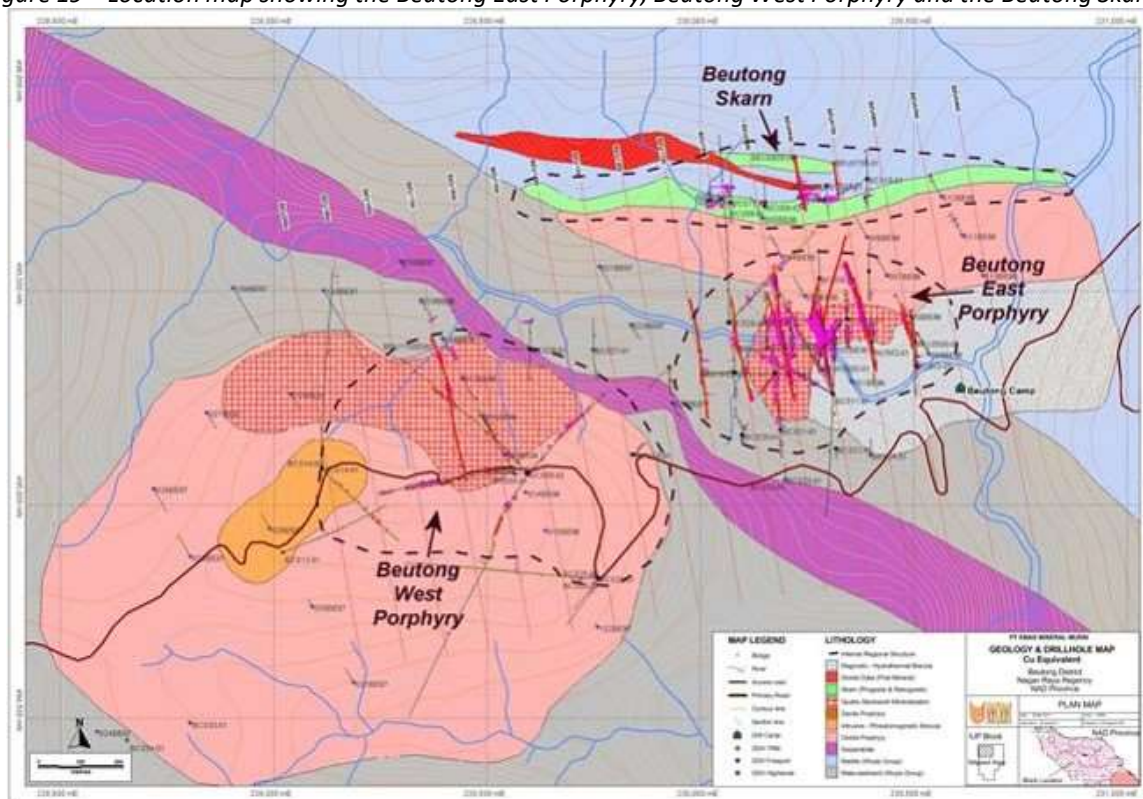
Beutong update

Production Licence received

In January 2018, Asiamet was granted the IUP-OP (“Izin Usaha Pertambangan Operasi Produksi”), a key production licence required to advance the Beutong Copper-Gold Project to the development stage. This represents a major de-risking event, and will allow the company to continue development work, including further drilling and metallurgical testwork.

The grant of the IUP represents the culmination of over two years of detailed work, working with the relevant Indonesian authorities, particularly the Ministry of Energy and Mineral Resources (“ESDM”) in Jakarta and the local government of Nagan Raya Regency. **We view this as a major achievement for the company** as permitting in Indonesia can be a fairly laborious process. Furthermore, the grant of the licence demonstrates the support for the project from both central and local government, and the local community.

Figure 19 - Location map showing the Beutong East Porphyry, Beutong West Porphyry and the Beutong Skarn



Source: Asiamet

What does this mean?

Asiamet’s existing Exploration Licence has been converted into a Production Licence. This provides for an initial 20 years of licence tenure which may be extended twice, each for a period of 10 years, totalling 40 years. Significantly, the grant of the licence means that Asiamet now has the confidence to advance development at the project.

Asiamet can move from 40% to 80%

The company currently has a 40% equity interest in the project, but can earn up to an 80% interest based on a various milestones and payments. To move from 40% to 60%, Asiamet must pay A\$2.88m within 90 days of the grant of the production IUP. To move from 60% to 80%, Asiamet must complete a feasibility and make a further payment of A\$1.5m.

Beutong reminder

Beutong is an extremely large Cu-Au-Mo porphyry deposit with a world-class resource base of 5.3Blbs Cu or 2.4 Mt (total resource M&I+I), 2.1Moz Au, and 20.6Moz silver, on a 100% basis. The system is comprised of three different zones; the Beutong East Porphyry ("BEP"), Beutong West Porphyry ("BWP") and the Beutong Skarn ("BSK"). The surface mineralisation at BEP and BWP comprises chalcocite, covellite and digenite mineralisation with lesser chalcopyrite.

Beutong is exceptionally well located in terms of infrastructure, being located 60km inland from the coastal town of Meulaboh. The site has access via sealed road and critically a new seaport and power station has been built 5km from Meulaboh. The coal-fired power station has a capacity of 2x 110MW.

The proximity to infrastructure, grid power and the market means the project has an instant competitive advantage, translating to much lower capital intensity than the majority of other giant porphyry deposits worldwide. The M&I grade of 0.61% Cu compares favourably to other major porphyry deposits currently in production. The orebody remains open to the east, west and to depth indicating potential for considerable resource growth.

What happens next?

A drill rig (with >600m depth capacity) will be mobilised to site in the near future. The focus of this next round of drilling will be on gaining further insight into the structure and distribution of high-grade near-surface mineralisation and to test the strike and depth potential of the porphyry and skarn systems. Note that the Beutong system remains open to depth and to the east and west. The upcoming drilling programme at Beutong will be used to:

1. Carry out feasibility-level metallurgical test-work focused on determining the leachability of the secondary copper sulphide minerals (chalcocite, covellite, and digenite) that dominate the upper 600m of the Beutong porphyry system.
2. Determine the leachability of the chalcocite and oxide copper minerals (malachite, azurite and brochantite) that occur in the upper 80 meters of the Beutong Skarn.
3. Using metallurgical test-work results, evaluate the potential for a large scale SX-EW mining operation at Beutong, to produce Grade A Copper cathode;
4. Obtain additional geotechnical data within the proposed open pit at Beutong East porphyry, as defined in the Indonesian Feasibility Study.

A site visit is being undertaken in the coming week to meet with local government and community stakeholders and assess the condition of existing infrastructure in advance of re-commencing drilling.

Depth potential remains compelling

Whilst the current focus is on the shallower portions of the deposit with leachable copper potential, Asiamet believes that the geology indicates good potential to discover a deep higher-grade zone. The current resource is defined to a depth of approximately 700m.

At 600m-700m depth there is a notable transition to chalcopyrite-bornite mineralisation, similar to the deeper sections of other porphyry systems in Southeast Asia such as the giant high-grade Grasberg Indonesia (Freeport-McMoRan Copper & Gold), Wafi-Golpu PNG (Newcrest Mining) porphyry deposits. Asiamet sees potential for an increase in both copper and gold grades in a deeper potassic zone e.g. 148m at 0.81% Cu, 0.15g/t Au. Intervals of +2% CuEq have also been intersected.

Development options

Beutong is a giant deposit, but instead of just viewing the project as one large super project with enormous capex, Asiamet is evaluating several different lower-capex, staged development options. As part of the production licence, there is the imperative to meet in-country processing requirements (ie. the Indonesian ban on exporting concentrates). Asiamet is investigating the potential of establishing a heap leach, SX-EW operation which would produce LME cathode onsite.

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