



29 April 2016

## MARCH 2016 QUARTERLY ACTIVITIES REPORT

Manas Resources Limited (ASX-MSR) reports its activities for the March 2016 Quarter on the Company's 100%-owned gold projects in the Kyrgyz Republic, Central Asia.

### SUMMARY

#### Shambesai Gold Project, Kyrgyz Republic, Central Asia

- An update to the project key economic parameters was released on 22 February 2016
- Shambesai pre-production capital cost estimate reduced to US\$27M from US\$41M shown in the Shambesai Project Bankable Feasibility Study following design changes, re-tendering of major items and rescheduling of some capital expenditure
- Estimated total pre-production and sustaining capital costs of Life of Mine (LOM) of US\$38M down from US\$48M reported in the Feb 2015 BFS Update.
- Updated project economics at an US\$1100 per ounce gold price indicate the projects remains extremely attractive with an NPV (@8% discount rate) of US\$83M
- Design parameters for a smaller open pit were reported indicating it was possible reduce total material movements by 50% while reducing gold contained by only 12.5%

### Exploration

- Exploration work reports for exploration activities in 2015 for all licences were approved.
- Applications for relinquishing the less prospective Djilginsai, Aksu and Savoyardy (prospecting) licenses were submitted to the Kyrgyz State Agency for Geology and Mineral Resources (SAGMR)

### Corporate

- The Company raised a total of \$821,000 by way of a private placement and a subsequent non-renounceable 2 for 3 entitlement issue, both at \$0.001 issue price per share.
- The Company is in continued discussions with several parties on potential transactions for funding or sale of the Shambesai Project.
- Philip Reese has been appointed CEO (formerly COO), whilst Mark Calderwood will continue in his capacity as a part-time executive Chairman.

## Shambesai Gold Project (SGP), Kyrgyz Republic (MSR 100%)

### Updated Project Economics February 2016

Revised capital and operating costs for the project were released in a project update in February 2016 reflecting work completed through 2015 following completion of all major permitting for the project construction. The Company also presented the outcomes of on-going work on a re-optimised smaller pit option with significantly reduced ore movements and similar economics to the BFS open pit. Re-optimisation of the open pit at US\$1100 per ounce of gold (based on oxide ore only) indicated that it was possible to achieve a 50% reduction of waste with only a 12.5% loss of gold. The two pit designs are compared in Table 1.

**Table 1 - Summary of Key Parameters for the Open Pit Design Options**

Pit Designs	Ore Mt	Waste Mt	Total Mt	Au g/t	Gold Ounces	Strip Ratio
BFS Pit	2.4	15.8	18.2	3.7	279,000	6.7:1
Small Pit	1.9	7.4	9.4	3.9	244,000	3.9:1
Difference	-0.4	-8.4	-8.8		-35,000	

Notes:

*Inferred resources included as waste*

*Mined tonnages are after allowing for mining dilution and ore loss*

The SGP is designed to have an average annual throughput of around 550,000 tonnes of ore producing on average 55,000 ounces of gold per annum treating the oxide and sulphide Ore Reserves falling within the design pit. The project targets shallow, high-grade oxide portion of the Measured and Indicated Mineral Resource at Shambesai. Proved and Probable Ore Reserves that fall within the design pit shell to be mined at Shambesai are estimated to be 2.35M tonnes at 3.7 g/t for 279,000 ounces of gold.

Non-refractory oxide and sulphide ore from the open pit will be divided into high-grade and low-grade streams using a cut-off grade of 2.0 g/t gold. Oxide ore above 2.0 g/t will be treated following crushing and agglomeration using a two stage, vat and heap leach process route and the lower grade oxide ore will be treated following crushing and agglomeration of fines on the heap leach. High grade sulphide ore will be crushed and stockpiled for a number of months to encourage oxidation and then treated on the heap leach. Low grade sulphide ore will be stockpiled and treated at the end of the mine life and only if economically viable at that time. Overall average gold recoveries for all ore types over the life-of-mine are estimated to be 85.9%.

Oxide ore, with rapid leaching, high-recovery of gold and very low treatment costs, accounts for over 90% of the total gold estimated to be able to be recovered at Shambesai. Recovery of gold from the vat leach where the high grade oxide ore is initially treated accounts for over 80% of total production. Initial treatment of the high-grade ore through the vat leach is designed to recover the majority of the gold very quickly (within 3 days), with the ore then placed on the heap leach pads to complete the recovery process. Refractory sulphide ore only accounts for approximately 9% of all ore processed.

While the Shambesai BFS is primarily focused on treatment of high-value oxide ore from an initial open pit, the ability to process sulphide ore through this simple process route will allow the re-evaluation of potential

reserve and production expansion through incorporating further material from the 697,000 ounce Shambesai Mineral Resource.

The BFS open pit production for the SGP remains as previously forecast with 2.35Mt of ore processed at 3.7 g/t gold containing 279,000 ounces of gold, and recover 241,000 ounces of gold over a 4 ½ year mine life.

At a gold price of US\$1,100 per ounce gold price, operating cash costs of US\$345 per ounce of gold are forecast (C1 costs excluding revenue based royalties and taxes). Average total cost of production (C3 costs) after capital, development and operating costs, taxes and royalties excluding further exploration drilling, corporate overheads and financing costs is estimated to be US\$584 per ounce of gold produced. See Table 2 below.

The updated economic parameters for the BFS Open Pit show undiscounted net cash flows of US\$121M after life-of-mine capital expenditure of US\$39.1M, operating costs, taxes and royalties. The capital cost to first production and gold pour are estimated to be US\$27.9M with payback of this capital within the first 13 months of operation.

The NPV of Shambesai has been estimated at US\$83M at an 8% discount rate over the 4 ½ year mine life. The project cash flows deliver a recalculated IRR of 100%. All of the BFS cash flow estimates are calculated at a US\$1,100 gold price and are made assuming the treatment of all oxide and high grade sulphide ore within the design pit shell, and after all revenue-based taxes and royalties have been paid.

**Table 2 - Summary of Key Economic Parameters for the Shambesai Gold Project (US\$1,100 LOM gold price)**

	<b>Feb 2015 Costs; BFS Pit</b>	<b>Feb 2016 Costs; BFS Pit</b>	<b>Feb 2016 Costs; Small Pit</b>
Total Ore Mined <sup>1</sup>	<b>2.54 Mt at 3.7 g/t for 279,000 ounces</b>	<b>2.54 Mt at 3.7 g/t for 279,000 ounces</b>	<b>1.93 Mt at 3.9 g/t for 244,000 ounces</b>
Mining Rate – (Average tonnes of ore PA)	<b>+550,000t</b>	<b>+550,000t</b>	<b>+550,000t</b>
Average annual gold production	<b>55,000 ounces</b>	<b>55,000 ounces</b>	<b>55,000 ounces</b>
Project life	<b>4 ½ years</b>	<b>4 ½ years</b>	<b>4 years</b>
Average Processing Recovery Life of Mine	<b>85.9%</b>	<b>85.9%</b>	<b>86.8%</b>
Total Amount of Gold Recovered	<b>241,000 ounces</b>	<b>241,000 ounces</b>	<b>212,000 ounces</b>
After-tax NPV at 8% discount rate <sup>2</sup>	US\$68M	US\$83M	US\$77M*
Internal Rate of Return	74%	100%	90%*
Life-of-mine cash flow after tax and royalties <sup>3</sup>	<b>US\$94M</b>	<b>US\$121M</b>	<b>US\$106M</b>
Average Operating Cash Cost (C1) <sup>4</sup>	<b>US\$414 per ounce LOM</b>	<b>US\$345 per ounce LOM</b>	<b>US\$314 per ounce LOM</b>
Average Total Cost including Total Capital (C3)	<b>US\$703 per ounce LOM</b>	<b>US\$591 per ounce LOM</b>	<b>US\$584 per ounce LOM</b>
Capital Cost to First Gold	<b>US\$40.7M</b>	<b>US\$27.9M</b>	<b>US\$27.9M</b>
LOM Capital Cost	<b>US\$42.6M</b>	<b>US\$39.1M</b>	<b>US\$38.4M</b>
Payback Period	<b>14 months</b>	<b>13 months</b>	<b>18 months*</b>

1. Based on the Measured and Indicated Resource contained within the pit design adjusted for mining recovery and dilution
2. NPV after Kyrgyz 1% revenue tax, 3% royalty, 2% sales tax and 2% community payments on gross revenue taking into account the revised regime in the country applying from January 2013
3. Undiscounted and net of life of mine capital costs
4. Average operating cost per ounce C1 is calculated according to the Brooke-Hunt methodology. However it excludes royalty and revenue based tax payments which form the corporate tax in Kyrgyzstan
5. The NPV, IRR and Payback of the smaller pit could be improved by further optimisation of scheduling of waste mining.



**Figure 1 – BFS open pit, waste dump and processing facility at Shambesai**

The overall project economics for the Small Pit are slightly less attractive than the BFS Pit with an NPV(8%) of US\$78M versus US\$83M. However the smaller pit design has less technical risk than the BFS design and the lowered waste volumes result in much lower strip ratios and mining costs so reduce the project sensitivity to potential increases in fuel prices. The Company is undertaking on-going evaluation of the small pit design in conjunction with consideration of the viability of an underground mine.

### **Exploration**

The Company submitted work reports and proposed expenditure programs for all its license area in late 2015. The expenditure programs have been developed to allow minimal expenditure in the 2016 period should current difficult market conditions prevail. The work reports and expenditure programs were formally approved in early 2016.

As a part of the Company’s on-going efforts to reduce costs, it has completed a review of its Kyrgyz exploration holdings which has resulted in a decision to release three of its license areas which are considered have relatively low prospectivity and which have high on-going holding costs. Applications to drop the Djilginsai, Aksu and Savoyardy (prospecting) licenses were made to the Kyrgyz SAGMR during the March 2016 quarter. Approval for relinquishment was received in early April 2016. Dropping these three license areas will result in a significant reduction in license fees during subsequent periods.

### **Corporate**

#### *Project Financing*

With the recent increase in the gold price, there has been significant interest by a number of parties in development options for the Company’s major asset, the Shambesai Gold Project. The Company still maintains a dual potential sales and funding strategy for the Project and is in advanced discussions with several groups which are undertaking evaluations of the Project including completion of site visits and independent technical reviews.

#### *Cost Cutting*

The Company has continued with its ongoing cost cutting programme with a significant reduction in in-country staffing including some senior management. As a result of these measures, expenditures are expected to fall significantly once redundancy payments are made.

#### *Placement and Rights Offer*

A private placement to sophisticated and professional investors at 0.1 cent per share on 23 February 2016 raised a total \$0.13 million.

The Company completed a 2 for 3 rights offer at 0.1 cent per share raising \$0.69 million during the quarter. The rights offer was fully underwritten by GMP Securities Australia Pty Limited. The rights offer was made under the terms of a prospectus dated 3 March 2016 and closed on 23 March 2016.

#### *Management Changes*

The Company's long serving COO Phil Reese has taken the position as CEO, whilst Mark Calderwood will continue in his capacity as a part-time executive Chairman. This will provide for the strong continuity as the project moves forward, project continuity has been a focus of several parties in more advanced stages of reviewing funding or purchase transactions.

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#### **Manas Resources Limited - Company Overview**

Manas Resources Limited is an Australian-based company with a Mineral Resource base of 1,184,000 ounces of gold at its 100% owned projects on the Tien Shan gold belt in the south west of the Kyrgyz Republic. The Company has completed a Bankable Feasibility Study, and a mining and development licence has been issued for the flagship technically low-risk and high-margin Shambesai Gold Project.

Summary of Mineral Resource and Reserve Estimates Reported according to JORC Category and Deposit									
Resource Category incl. Reserves	Shambesai			Obdilla			Total		
	Tonnes Mt	Grade g/t Au	Ounces	Tonnes Mt	Grade g/t Au	Ounces	Tonnes Mt	Grade g/t Au	Ounces
Measured	1.2	3.0	111,000				1.2	3.0	111,000
Indicated	6.4	2.7	556,000	6.3	1.8	353,000	12.7	2.3	909,000
Inferred	0.5	1.9	29,000	2.9	1.4	132,000	3.4	1.5	161,000
<b>Total Resource</b>	<b>8.1</b>	<b>2.7</b>	<b>697,000</b>	<b>9.2</b>	<b>1.7</b>	<b>485,000</b>	<b>17.3</b>	<b>2.2</b>	<b>1,184,000</b>
Proved	0.8	3.3	85,000				0.8	3.3	85,000
Probable	1.6	3.9	194,000				1.6	3.9	194,000
<b>Total Reserve</b>	<b>2.4</b>	<b>3.7</b>	<b>279,000</b>				<b>2.4</b>	<b>3.7</b>	<b>279,000</b>

Note: The Shambesai Mineral Resource was estimated within constraining wireframe solids based on a nominal lower cut-off grade of 0.2 g/t Au. The Mineral Resource is quoted from all blocks above a cut-off grade of 0.3 g/t Au for Oxide Resources and 0.75 g/t Au for Sulphide Resources. Low grade refers to blocks above cut-off and below 2.0 g/t Au, while High Grade refers to blocks above 2.0 g/t Au. Quoted Mineral Resources are inclusive of Proved and Probable Reserves at Shambesai. Differences may occur due to rounding.

The Shambesai Gold Project Mineral Resource was updated to comply with the JORC Code 2012 Edition reporting framework and the Company reported results on 5 December 2014. There was no change to the resource classification, quantities or grade since the Mineral Resource release in March 2013. The information in this release that relates to the Shambesai Gold Project Mineral Resource was first reported by the Company in compliance with JORC 2012 in a market release dated 5 December 2014. The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcement dated 5 December 2014 and that all material assumptions and technical parameters underpinning the resource estimate continue to apply and have not materially changed.

The information in this release that relates to the Shambesai Gold Project Ore Reserves was first reported by the Company in compliance with JORC 2012 in a market release dated 25 February 2015. The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcement dated 25 February 2015 and that all material assumptions and technical parameters underpinning the ore reserves estimate continue to apply and have not materially changed.

The Mineral Resources information reported above in relation to the Obdilla Project was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Statements regarding Manas Resources' plans with respect to its mineral properties are forward-looking statements. There can be no assurance that Manas Resources' plans for development and or sale of its mineral properties will proceed as currently expected. There can also be no assurance that Manas Resources' will be able to confirm the presence of additional mineral deposits, that any mineralisation will prove to be economic or that a mine will successfully be developed on any of Manas Resources' mineral properties.

## Mineral Interests of the Manas Group at 31 March 2016

Licence	Licence Number	Registered Holder	Legal and Beneficial Interest
Tolubay	AR 2533 (Au-171-02)	CJSC Z-Explorer	100%
Isfairamsai	AP 235	CJSC Z-Explorer	100%
Djilginsai	AP 236	CJSC Z-Explorer	100%
Aksu	460 AP	CJSC Landmark	100%
Tashbulak	4188 AP	CJSC Landmark	100%
Savoyardy (Prospecting) Savoyardy (Exploration)	3718 AP (Au-87-04) 3719 AR (Au-87-04)	CJSC Savoyardy	100%
Shambesai Mining Permit	3164 AE	CJSC Z-Explorer	100%

**Location** – All mineral interests are held in the Kyrgyz Republic, Central Asia, primarily in the south of the country.

The registered holders are all wholly owned subsidiaries of Manas Resources Limited.

None of the mineral interests listed above are the subject of any farm-in / farm-out or joint venture arrangements. There have been no changes to mineral interests during the March 2016 quarter.

The Company submitted applications to drop the Savoyardy (Prospecting), Djilginsai and Aksu licences during the quarter and relinquishment was confirmed in early April 2016.