FOR IMMEDIATE RELEASE

23 July 2014

KAZAKHMYS MAKES FURTHER ANNOUNCEMENT ON PROPOSED GROUP RESTRUCTURING

Further to the Company's announcement, on 27 February 2014, of its intention to consider a broad restructuring of the Group, Kazakhmys now announces that it has entered into a definitive agreement to transfer certain of its mature assets in the Zhezkazgan and Central Regions of Kazakhstan to Cuprum Holding, a company owned by Vladimir Kim and Eduard Ogay, together with a Working Capital Payment. The agreement is subject to certain consents, approvals and conditions.

The parties have also entered into two Framework Services Agreements, enabling the Continuing Group and the Cuprum Holding Group to provide each other with transitional and longer-term services following completion.

Post-completion, the Continuing Group will continue to own the mining and producing assets in the East Region and the Bozymchak mine in Kyrgyzstan, as well as the Major Growth Projects, as further described in the Appendix to this announcement, and it is proposed that the Company be renamed "KAZ Minerals PLC".

The Transaction will be conditional upon, *inter alia*, the approval of Shareholders and obtaining regulatory consents. In accordance with the Listing Rules, the approval of the independent Shareholders will determine the result of the vote.

A circular setting out further details of the Transaction, together with the notice convening a general meeting of the Company (expected to be held on 15 August 2014) and the form of proxy for use at the general meeting, will be posted to Shareholders this week.

In addition, the Company has today published on its website a presentation relating to the Transaction and will be hosting an investor presentation at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ, United Kingdom at 11.30 a.m. (UK time) today, 23 July 2014. The presentation can also be accessed by conference call at 11.30 a.m. (UK time). The dial-in details are as follows:

Telephone: +44 (0)20 3003 2666
Please quote the password: Kazakhmys

The presentation is available at www.kazakhmys.com.

WORKING CAPITAL PAYMENT

- Based on the terms of the Transaction, Kazakhmys will transfer the companies owning the Disposal Assets to Cuprum Holding, along with a Working Capital Payment, which comprises:
  (i) cash of U.S.$150 million;
  (ii) approximately U.S.$80 million representing the unspent amount of sustaining capital expenditure budget of the Disposal Assets for the period from 1 January 2014 up to 31 July 2014, the date of effective economic separation;
  (iii) certain MET and VAT refunds of approximately U.S.$10 million, to be received from the Government of Kazakhstan and due to the Disposal Assets; and

(iv) any net cash flows attributable to the Disposal Assets for the period from the date of effective economic separation up to completion under the Share Transfer Agreement.

- Therefore, it is currently estimated that the total Working Capital Payment will be approximately U.S.$240 million, plus the net cash flows attributable to the Disposal Assets for the period referred to in (iv) above.

SUMMARY OF REASONS FOR TRANSACTION

- Following the Group's optimisation programme and asset review during 2013, the Board determined that the prospect of successfully optimising and adequately investing in the Disposal Assets may be limited whilst they remain under the Group's ownership;

- The Disposal Assets require significant financial and social investment which carries meaningful risk and uncertainty;

- The Transaction will allow the Group to deliver on its stated strategy to focus on production from a small group of large scale, low cost, open pit mines, with the objective of achieving profitable production and generating sustainable positive cash flow;

- The Retained Assets occupy an attractive position on the industry cost curve, in the first or second quartile, compared to current costs in the fourth quartile for the Company; and

- The Retained Assets have significant growth potential, with the Major Growth Projects expected to contribute to a compounded annual growth in copper in concentrate production between 2013 and 2018 that will be amongst the highest in the industry.

Oleg Novachuk, Chief Executive of Kazakhmys, said:

"This Transaction provides a sustainable future for a set of relatively mature assets which, although of limited economic value to the Group, remain extremely important within their local communities, where they are major employers.

Transferring these assets to a private entity allows Kazakhmys to move forward with operations more suited to the demands and financial returns of a listed company.

This Transaction will both strengthen the Group's financial position and move the Company towards its strategic goal of production dominated by large scale, low cost, open pit mines. I am confident in the future prospects of Kazakhmys and in the fundamentals of the copper industry. I look forward to reporting on our progress."

1. BACKGROUND TO AND REASONS FOR THE TRANSACTION

Over the past few years, a combination of declining grades, cost inflation and lower commodity prices has put significant pressure on the Group's profitability and cash generation. Notwithstanding the substantial progress made in the past two years as part of the strategy to focus on the Group's core copper business, including the disposals of three separate non-core assets, the Board has concluded that further action is required to achieve profitable production and generate sustainable positive cash flow.

Following the Group's commencement of the optimisation programme and asset review during 2013, the Board determined that the prospect of successfully optimising and adequately investing in some of the Group's assets may be limited whilst they remained under the Group's ownership.

Accordingly, as announced on 27 February 2014, the Group has reviewed a potential restructuring by separating the Disposal Assets into a separate corporate entity with a view to potential disposal. The Group undertook a process to identify possible acquirers of the Disposal Assets and conducted a number of discussions with potential acquirers which did not progress beyond a very preliminary stage.

Taking account of the further considerations outlined below and the fact that identifying a sustainable future for the Disposal Assets is a priority Kazakhmys entered into discussions with Vladimir Kim, a non-executive Director and substantial Shareholder of Kazakhmys, who indicated that he would be willing to consider creating a vehicle, Cuprum Holding, in which he would be the principal shareholder, to hold the Disposal Assets.

Given Mr. Kim's knowledge of the assets, understanding of the operating environment and standing in Kazakhstan, the Directors believe that Mr. Kim's proposal offers the most feasible route for the Company to dispose of the Disposal Assets. Eduard Ogay, an executive Director, who is also a shareholder of the Company and the chief executive officer of Kazakhmys Corporation LLC, has a beneficial interest in Cuprum Holding and will act as its chief executive officer, and will therefore step down from the Board following the Transaction. As described in the Chairman's statement made at the 2014 AGM, which was published on 8 May 2014, Mr. Kim has indicated to the Directors that he remains committed to his holding in Kazakhmys as his principal business interest.

Benefits to Kazakhmys under the Transaction

The Board has also considered the following factors as part of its decision to pursue the Transaction:

- The Disposal Assets are low margin assets with a high fixed cost base which are highly susceptible to adverse market conditions. The effect of declining copper grades, cost inflation, increasing sustaining capital expenditure requirements and lower commodity prices over the past few years has been most pronounced at the Disposal Assets due to the high fixed cost nature of a number of the mining operations, particularly in the Zhezkazgan Region where the ore bodies at most of the key mines have been extensively depleted;

- Kazakhmys' strategy is to focus on production from a small group of large scale, low cost, open pit mines, focused on copper within Central Asia, particularly Kazakhstan. The Disposal Assets are inconsistent with this strategy;

- The Disposal Assets require significant financial and social investment which carries meaningful risk and uncertainty. The Directors believe that the Disposal Assets will require significant further investment over the short and medium term in optimisation measures to extend the life of the mines, processing facilities and the captive heat and power stations, and to secure employment. The Directors believe that the Disposal Assets will continue to require significant social investment, given their importance within their local communities where they are major employers;

- The Directors believe that the Retained Assets occupy an attractive position on the industry cost curve, in the first or second quartile, compared to current costs in the fourth quartile for the Company. Bozshakol and Aktogay are both expected to occupy the first or second quartile of the industry cost curve, and the Directors believe that the Transaction will ensure the Continuing Group remains attractively positioned for the long term, and capable of generating significant positive Free Cash Flow;

- The Retained Assets have significant growth potential. The increase in production expected from the commissioning of the Major Growth Projects will add significant overall growth to the Retained Assets as Bozshakol and Aktogay ramp up copper in concentrate output significantly from 2015. Koksay will provide longer-term growth options for the Group after Bozshakol and Aktogay have been commissioned. In 2018, the Directors expect that the Retained Assets will produce approximately 300 kt of copper in concentrate, the majority coming from Bozshakol and Aktogay. The expected compounded annual growth in copper in concentrate production of 28 per cent. between 2013 and 2018 will be amongst the highest in the industry. The Koksay deposit will provide the Group with further production growth in the longer term;

- The Transaction will result in a significant reduction in the size and scope of the Group's operations before the commencement of the Major Growth Projects. Kazakhmys will reduce the scope of its operations from 16 mines in 2013 to five mines (rising to seven mines when the Bozshakol and Aktogay oxide mines are operational in 2015). In addition, the Transaction will result in a reduction in FTEs from approximately 53,000 in 2013 to 10,000 (rising to 13,000 when Bozshakol and Aktogay are operational);

- The Transaction will result in a significant improvement in the Free Cash Flow profile of the Retained Assets;

- If the Transaction does not proceed, the Group will retain the Disposal Assets and the negative Free Cash Flow generation of these assets will continue to adversely affect the Group; and

- **Accordingly, the Board believes the proposed restructuring to be strongly in the interests of all Shareholders.**

2. FURTHER INFORMATION ON SHAREHOLDER APPROVALS

As Mr. Kim and Mr. Ogay are Directors, and due to Mr. Kim's shareholding in the Company, the Transaction constitutes a "related party transaction" for the purposes of the Listing Rules. Due to its size, the Transaction also constitutes a Class 1 transaction under the Listing Rules. In addition, the Transaction is a "substantial property transaction" under Section 190 of the Companies Act 2006, due to Mr. Kim's and Mr. Ogay's directorships of the Company.

As a result, the Transaction is conditional upon Shareholder approval by way of an ordinary resolution. As the Transaction is a "related party transaction", the approval of the independent Shareholders will determine the result of the vote on this resolution. If Shareholder approval is not obtained and the conditions not satisfied, the Transaction will not complete, with the result that the Group will continue to own the Target Companies, and therefore, the Disposal Assets.

Following completion of the Transaction, it is proposed that the Company be renamed "KAZ Minerals PLC", subject to Shareholder approval by special resolution.

A circular setting out further details of the Transaction, together with the notice convening a general meeting of the Company (expected to be held on 15 August 2014) and the form of proxy for use at the general meeting, will be posted to Shareholders this week.

3. DETAILS ON THE FRAMEWORK SERVICES AGREEMENTS

It is the objective of the Company that the Disposal Assets and the Retained Assets will function as standalone operations post-completion of the Transaction. However, certain LTAs and the TSAs are required to enable each group to perform certain functions which are critical to the conduct of their respective businesses and operations, such as smelting and refining, sales of finished products, and major procurement.

The parties have therefore entered into the Framework Services Agreements. Specifically, the Cuprum Framework Services Agreement, pursuant to which the Cuprum Holding Group will provide the Continuing Group with transitional and longer-term services and functions to be delivered under the terms of certain TSAs and LTAs; and the East Framework Services Agreement, pursuant to which the Continuing Group will provide the Cuprum Holding Group with transitional and longer-term services and functions to be delivered on the terms of certain TSAs and LTAs.

The services to be provided pursuant to the Cuprum Framework Services Agreement include: smelting and tolling (production and processing of raw materials); access to smelting capacities; handling, storage and burial of slag; handling and neutralisation of excess acids; lease of office premises; access to historical pricing databases and historical HR information; electricity supply and transmission to the Aktogay copper mine (including the upgrade of existing power plants and lines); air transportation; geological exploration; mine maintenance; concentrator maintenance; project institute/engineering services; IT and technical support; shaft sinking; current and capital repairs; production of spare parts; construction; and diagnostics and repairs relating to machinery and electrical equipment. In respect of the electricity supply and transmission to the Aktogay copper mine, Cuprum Holding has granted the Company an option to purchase the Aktogay power line for U.S.$1.00 if Cuprum Holding Group is unable to maintain the supply and/or transmission of electricity and/or undertake the required upgrades to the relevant power plants and lines.

The services to be provided pursuant to the East Framework Services Agreement include: management, planning and controlling of smelting and tolling activities; access to historical pricing databases and historical HR information; IT and technical support; sublease of office premises; DBMS administration; warehousing; and treasury and investment planning services.

The terms of each of the LTAs and the TSAs are on an arm's length basis and on normal commercial terms.

If the Transaction completes, the copper concentrate produced from the East Region and the Bozymchak mine will be processed at the Balkhash smelter under the terms of the LTAs agreed between the Company and Cuprum Holding. The copper concentrate produced from the East Region has historically been processed at the Balkhash smelter.

Smelting services have historically been recharged to the East Region operations. The LTA terms have been determined based on the operating cost and capital expenditure requirements of the services and include a 10% margin. The LTA terms will result in an increase in the cost of these services for the Continuing Group compared to the costs recharged to the East Region operations in 2013. Based on a review of the smelting services available in the market for the processing of copper concentrate from the East Region and Bozymchak mine the Balkhash smelter currently represents the most favourable option available to the Company. The copper concentrate output from the Major Growth Projects is expected to be sold as concentrate and therefore will not utilise the Balkhash smelter.

The majority of the other services to be provided by Cuprum Holding to the Company under the LTAs and TSAs, such as auxiliary services, will be made on a cost plus margin basis. These services have historically been recharged to the East Region operations and no material impact on the cost base of the Continuing Group is anticipated as a result of entering into these agreements.

Further detail of the principal terms of the Framework Services Agreements, including the key terms of material LTAs and TSAs, will be provided in the circular.

4. FINANCIAL EFFECTS OF THE TRANSACTION

The Transaction will result in the assets and liabilities of the Target Companies no longer being consolidated in the Group's consolidated financial statements and the recognition of a significant loss on disposal.

In the short term, the Transaction will increase net debt in the Continuing Group due to the Working Capital Payment transferred to Cuprum Holding.

However, in the medium to longer term, net debt in the Continuing Group is expected to trend at a lower level due to the ongoing cash savings resulting from the Target Companies no longer being part of the Group.

5. CHANGES TO MANAGEMENT

As a result of the Transaction, a number of key employees will be transferred with the Disposal Assets, including the following key members of senior management based in Kazakhstan:

Eduard Ogay:	*Chief Executive Officer of Kazakhmys Corporation LLC*
Gulshat Zholamanova:	*Finance Director of Kazakhmys Corporation LLC*
Bakhtiyar Krykpyshev:	*General Director Mining Processing Complex, Kazakhmys Corporation LLC*

Following the Transaction, Eduard Ogay will step down from the Board so that he can take up his position as chief executive officer of Cuprum Holding managing the Disposal Assets, and Mr. Ogay will cease to have any executive or management authority at the Continuing Group.

Mr. Kim has indicated that he remains committed to retaining his holding in Kazakhmys and intends to remain on the Board following the Transaction.

Oleg Novachuk will remain as Chief Executive Officer of Kazakhmys. For the avoidance of doubt, he will not be a shareholder of, or have any management responsibility at, Cuprum Holding.

For further information please contact:

Kazakhmys		
John Smelt	Corporate Communications	Tel: + 44 (0)20 7901 7882
Stephen Hodges	Company Secretary	Tel: + 44 (0)20 7901 7832
Citi		Tel: + 44 (0)20 7986 4000
Robert Way		
Owain Parry		
Tom Reid		
J.P. Morgan Cazenove		Tel: + 44 (0)20 7742 4000
Barry Weir		
Edward Jack		
James Robinson		
Instinctif Partners		
David Simonson		Tel: + 44 (0)20 7457 2031
Anca Spiridon		Tel: + 44 (0)20 7457 2842

Forward-looking statements

This announcement includes forward-looking statements with respect to the business, strategy and plans of Kazakhmys and its current goals, assumptions and expectations relating to its future financial condition, performance and results. By their nature, forward-looking statements involve known and unknown risks, assumptions and uncertainties and other factors which may cause actual results, performance or achievements of Kazakhmys to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Although Kazakhmys believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results could differ materially from those set out in the forward-looking statements.

No part of this announcement constitutes, or shall be taken to constitute, an invitation or inducement to invest in Kazakhmys, or any other entity, and Shareholders are cautioned not to place undue reliance on the forward-looking statements. Except as required by the Listing Rules and applicable law, Kazakhmys does not undertake any obligation to update or change any forward-looking statements to reflect events occurring after the date of this announcement.

Citigroup Global Markets Limited, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, is acting exclusively for Kazakhmys and for no one else in connection with the contents of this document and the Transaction, and will not be responsible to any person for providing the protections afforded to clients of Citigroup Global Markets Limited nor for providing advice in connection with the contents of this document or the Transaction or any transaction, arrangement or other matter referred to in this document.

J.P. Morgan Limited (which conducts its UK investment banking activities as J.P. Morgan Cazenove “J.P. Morgan Cazenove”), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for Kazakhmys and for no one else in connection with the contents of this document and the Transaction, and will not be responsible to any person for providing the protections afforded to clients of J.P. Morgan Cazenove nor for providing advice in connection with the contents of this document, the Transaction or any transaction, arrangement or other matter referred to in this document.

Save for the responsibilities and liabilities, if any, of Citigroup Global Markets Limited and of J.P. Morgan Cazenove under the Financial Services and Markets Act 2000 or the regulatory regime established thereunder, Citigroup Global Markets Limited and J.P. Morgan Cazenove assume no responsibility whatsoever and make no representations or warranties, express or implied, in relation to the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by Kazakhmys, or on Kazakhmys’ behalf, or by Citigroup Global Markets Limited or J.P. Morgan Cazenove or on Citigroup Global Markets Limited’s or J.P. Morgan Cazenove’s behalf and nothing contained in this document is, or shall be, relied on as a promise or representation in this respect, whether as to the past or the future, in connection with Kazakhmys or the Transaction. Each of Citigroup Global Markets Limited and J.P. Morgan Cazenove accordingly disclaim to the fullest extent permitted by law all and any responsibility and liability whether arising in tort, contract or otherwise which it might otherwise be found to have in respect of this document or any such statement.

APPENDIX AND DEFINITIONS

Further information on the Disposal Assets

The Disposal Assets comprise the mining, processing, auxiliary, transportation, and heat and power assets of the Group in the Zhezkazgan and Central Regions. The Disposal Assets include 12 copper mines, mine development opportunities, four concentrators, two smelters, two coal mines, and three captive heat and power stations. The copper mines contain proved and probable ore reserves of 326.6 MT with contained copper of 3.3 MT at a grade of 1.03 per cent., and measured and indicated mineral resources of 2,662.3 MT with contained copper of 17.2 MT at a grade of 0.64 per cent. as at 31 December 2013. In the 2013 financial year, the Disposal Assets mined approximately 34.8 MT of ore at a copper grade of 0.81 per cent., and produced 228 kt of copper in concentrate. In the same period, during which the LME cash price for copper cathode averaged U.S.$7,328 per tonne, the Disposal Assets contributed sales revenue of approximately U.S.$2,278 million and EBITDA (excluding special items) of U.S.$342 million before the charge for MET of U.S.$148 million. Sustaining capital expenditure on the Disposal Assets totalled U.S.$415 million in the 2013 financial year.

As at 31 December 2013, the Disposal Assets comprised gross assets of U.S.$2,761 million. The Disposal Assets total loss for the financial year ended 31 December 2013 was U.S.$911 million.

The largest operating mines within the Disposal Assets are the East (including West), South (including Stepnoy) and Zhomart mines which are located in the Zhezkazgan Region and accounted for around 40 per cent. of the Group's copper metal in ore output in 2013. The Akbastau and West Nurkazgan mines, which are located in the Central Region accounted for around 15 per cent. of the Group's copper metal in ore output in 2013. The Disposal Assets also include the Karaganda GRES-2 heat and power station which had an average net dependable capacity of 610 MW during 2013.

The Disposal Assets contain a number of potential development projects. These include the extension of the existing Zhomart mine, the development of the Nurkazgan deposits, the development of the Zhylandy deposit in the Zhezkazgan Region, the Aidarly deposit and a number of other medium-sized mine developments.

As at 31 December 2013, the Disposal Assets employed approximately 43,000 FTEs, representing approximately 81 per cent. of the Group's total workforce.

Further information on the Retained Assets

Overview

The Retained Assets comprise the mining and processing assets of the Group in the East Region and the Bozymchak mine in Kyrgyzstan, as well as the Major Growth Projects. These consist of four operating mines, three concentrators, a new mine and concentrator in the commissioning phase in Kyrgyzstan and the Major Growth Projects, two of which are under construction. The Retained Assets are focused on mining and concentrating, without captive power or smelting and refining facilities.

The Retained Assets contain proved and probable ore reserves of 46.5 MT with contained copper of 0.9 MT at a grade of 1.85 per cent., and measured and indicated mineral resources of 2,624.0 MT with contained copper of 10.4 MT at a grade of 0.40 per cent., as at 31 December 2013. In the 2013 financial year, the Retained Assets mined approximately 4.4 MT of ore at a copper grade of 2.41 per cent., and produced 87 kt of copper in concentrate. In the same period, during which the LME cash price for copper cathode averaged U.S.$7,328 per tonne, the Retained Assets contributed sales revenue of approximately U.S.$931 million and EBITDA (excluding special items) of U.S.$389 million before the charge for MET of U.S.$94 million. Sustaining capital expenditure on the Retained Assets totalled U.S.$72 million[1] in the 2013 financial year.

[1] Sustaining capital expenditure figure excludes U.S.$9 million of spend related to MKM.

The key operating assets within the Retained Assets include the Orlovsky underground mine and the associated concentrator, the Artemyevsky underground mine and the Nikolayevsky concentrator. A study is underway to assess the options to extend the life of the Artemyevsky mine by up to 10 years. The Bozymchak mine in Kyrgyzstan is currently being commissioned. The saleable copper in concentrate output from the mine will be limited in 2014 as output ramps up after the commissioning phase. Over the life of the mine, copper cathode equivalent output is expected to average around 7 kt and gold in concentrate output is expected to be 35 koz per annum.

As at 31 December 2013, the Retained Assets employed approximately 10,000 FTEs, representing approximately 19 per cent. of the Group's total workforce.

Update on Major Growth Projects

Bozshakol

As announced in December 2013, NFC has been brought in as a second contractor at Bozshakol. The permanent camp and the non process buildings will be ready by the end of September 2014. By January 2015 further infrastructure (power, potable water, sewage, fire protection systems) will be complete and will allow these buildings to be occupied. Work continues on the installation of the mills and the internal steel platforms in the grinding and flotation areas. Bulk material orders have been placed for pipe and cable as well as fabrication orders for mechanical plate work and structural steel for the clay plant. The main heating units will be placed in the larger buildings so that work can continue more productively this winter.

The schedule continues to work towards commissioning in the second half of 2015 and copper in concentrate production ramp up during 2016. The overall capital cost of Bozshakol is approximately U.S.$2.2 billion, of which around U.S.$0.8 billion had been spent as at 31 December 2013.

Copper cathode equivalent production is expected to reach a peak of 115 kt at a copper grade of 0.5 per cent. in 2018. The mine is expected to have average copper cathode equivalent output of 100 kt and a net cash cost for copper cathode equivalent sales of 80 to 100 U.S. cents per pound (in 2014 terms) for the first 10 years after the concentrator has been commissioned. Development capital expenditure in 2014 is expected to be between U.S.$750 million and U.S.$950 million, with the remaining development capital expenditure to be incurred in 2015. Thereafter, sustaining capital expenditure is anticipated to be approximately U.S.$30 million per annum for the first 10 years of the mine's operation.

Bozshakol will have a production life of over 40 years, which includes the processing of stockpiled ore for four years. The mineral resource of the deposit, including inferred mineral resources is 1,173 MT with 4.1 MT of contained copper at a grade of 0.35 per cent. The deposit also contains 57 kt of molybdenum in ore and 5,255 koz of gold in ore. Following completion of the construction phase, Bozshakol will employ approximately 1,500 FTEs.

Aktogay

As previously announced, the original single principal contractor for the Aktogay project is to be replaced with several new contractors focusing on separate aspects of the project. The tender process for the new contractors is in progress, and the overall capital cost of the project was estimated to be U.S.$2.0 billion but this is expected to rise when re-calculated, following the completion of the tender process. As at 31 December 2013, approximately U.S.$0.5 billion of capital expenditure had been spent on the project.

Aktogay remains on track to commence first oxide copper cathode production in the fourth quarter of 2015. First sulphide copper in concentrate production is planned for 2017. Copper cathode equivalent output from the oxide deposit which is expected to operate for 11 years will average around 15 kt per annum. Copper cathode equivalent production from sulphide ore will average 90 kt in the first 10 years of the concentrator's operation, with a peak of approximately 100 kt in 2019 at a grade of 0.5 per cent.

Aktogay is expected to have a net cash cost for copper cathode equivalent sales of 110 to 130 U.S. cents per pound (in 2014 terms) in the first 10 years after the commencement of the sulphide concentrator's operation. Annual development capital expenditure on the project is expected to be between U.S.$400 million and U.S.$600 million until 2016, with the remaining development capital expenditure to be incurred in 2017. Following the start of sulphide copper production in 2017, the sustaining capital expenditure is expected to be approximately U.S.$30 million per annum for the first 10 years of the mine's operation.

Aktogay will have a production life of over 50 years. The sulphide mineral resource is 1,597 MT with a copper grade of 0.33 per cent. and the oxide mineral resource is 121 MT at a copper grade of 0.37 per cent. In addition, the deposit has contained molybdenum of 115 kt. Following completion of the construction phase, Aktogay will employ approximately 1,500 FTEs.

Koksay

Kazakhmys announced the completion of the purchase of Koksay on 17 June 2014 which will not incur significant development expenditure until after Bozshakol has commenced production. As announced on 15 April 2014, U.S.$65 million of the U.S.$260 million net acquisition cost is deferred, with U.S.$30 million payable on 1 January 2015 and U.S.$35 million payable on 31 July 2015, the latter deferred payment being subject to confirmation of mineral resources.

Definitions

For the purposes of this announcement, the following definitions apply:

Board	the board of Directors of Kazakhmys;
Continuing Group	the Group following completion of the Transaction;
Cuprum Framework Services Agreement	the framework services agreement entered into on 23 July 2014 between Cuprum Holding and Kazakhmys under which Cuprum Holding agreed to provide certain services and functions to Kazakhmys and other members of the Continuing Group pursuant to certain LTAs and TSAs;
Cuprum Holding	Cuprum Netherlands Holding B.V., a company incorporated in the Netherlands, whose registered office is at Strawinskylaan 1151, World Trade Center, Toren C, Level 11, 1077XX, Amsterdam, the Netherlands;
Cuprum Holding Group	Cuprum Holding, together with its subsidiaries, including the Target Companies following the completion of the Transaction;
Disposal Assets	certain mature mining, processing, auxiliary, transportation, and heat and power assets of the Group in the Zhezkazgan and Central Regions of Kazakhstan (as further described in the Appendix of this announcement);
Directors	the Directors of Kazakhmys;

East Framework Services Agreement	the framework services agreement entered into on 23 July 2014 between Cuprum Holding and Kazakhmys under which Kazakhmys agreed to provide certain services and functions to Cuprum Holding and other members of the Cuprum Holding Group pursuant to certain LTAs and TSAs;
EBITDA	earnings before interest, taxation, the non-cash component of the disability benefits obligation, depreciation, depletion, amortisation and MET;
Framework Services Agreements	the Cuprum Framework Services Agreement and the East Framework Services Agreement;
FTE	full time employee;
Free Cash Flow	net cash flow from operating activities before capital expenditure and non-current VAT associated with expansionary and new projects less sustaining capital expenditure on tangible and non-tangible assets;
Group	the Company and its subsidiary undertakings;
Kazakhmys or the Company	Kazakhmys PLC;
Listing Rules	the Listing Rules issued and maintained by the FCA under Part VI of FSMA;
LTAs	the long term agreements to be entered into pursuant to the East Framework Services Agreement and the Cuprum Framework Services Agreement, as applicable;
Major Growth Projects	Bozshakol, Aktogay and Koksay;
MET	mineral extraction tax;
Mr. Kim or Vladimir Kim	Vladimir Kim, non-executive Director of Kazakhmys, and executive chairman of Kazakhmys Corporation LLC;
MT	million metric tonnes;
MW	megawatt, a unit of power equivalent to one million watts;
NFC	Non Ferrous China;
Retained Assets	certain mining and processing assets of the Group in the East Region and the Bozymchak mine in Kyrgyzstan, as well as the Major Growth Projects (as further described in the Appendix of this announcement);
Share Transfer Agreement	the share transfer agreement dated 23 July 2014 between Kazakhmys, Kazakhmys Power B.V., Kazakhmys Holding B.V., Cuprum Holding and Mr. Kim for the transfer of the Target Shares;
Shareholders	the holders of the ordinary shares of 20 pence each in the capital of Kazakhmys;
Target Companies	Kazakhmys Power Projects B.V., Kazakhmys Maintenance Services B.V., Kazakhmys Smelting B.V., Kazakhmys Construction B.V., Kazakhmys Exploration B.V. and KCC B.V.;

Target Shares	100 per cent. of the issued share capital of each of the Target Companies;
Transaction	the proposed transfer, subject to certain consents and approvals, of the Target Shares to Cuprum Holding, including the Working Capital Payment, under the share transfer agreement and the entry into the Framework Services Agreements (including the LTAs and TSAs);
TSAs	the transitional services agreements to be entered into pursuant to the East Framework Services Agreement and the Cuprum Framework Services Agreement, as applicable; and
VAT	value added tax.